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United Nations

United Nations Population Fund

Financial report and audited financial statements

for the biennium ended 31 December 2001 and

Report of the Board of Auditors

General Assembly
Official Records
Fifty-seventh Session
Supplement No. 5G (A/57/5/Add.7)

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United Nations • New York, 2002

Note

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Letters of transmittal

17 May 2002

Pursuant to Financial Rule 116.2 of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the biennium ended 31 December 2001, which I hereby approve.

Copies of the financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Thoraya Ahmed **Obaid**
Under-Secretary-General

The Chairman of the Board of Auditors
United Nations
New York

27 June 2002

I have the honour to transmit to you the financial statements of the United Nations Population Fund for the biennium 2000-2001 ended 31 December 2001, which were submitted by the Executive Director. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above-mentioned accounts.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa and
Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I
Financial report for the biennium ended 31 December 2001

1. The Executive Director of the United Nations Population Fund (UNFPA) has the honour to submit the financial report for the biennium ended 31 December 2001.

2. The accounts for the biennium ended 31 December 2001 are submitted in conformity with UNFPA Financial Regulation 16.1, approved by the Governing Council at its thirty-seventh session (decision 90/36, para. 7). The accounts consist of three statements supported by seven schedules and accompanied by notes that are an integral part of the financial statements. The accounts also cover the UNFPA trust funds established for population activities by the Executive Board of the United Nations Development Programme (UNDP) and UNFPA or by the Executive Director of UNFPA.

A. Regular resources

1. Overview

3. In the biennium ended 31 December 2001, UNFPA received an income of $532.7 million and incurred an expenditure of $465.3 million, resulting in an excess of income over expenditure of $67.4 million. This, together with transfers from other resources of $0.3 million and expenditures of $0.1 million charged to the reserve for field accommodation, increased reserves and regular resources balances from $29 million as at 1 January 2000 to $96.5 million as at 31 December 2001.

2. Programme expenditure

4. By decision 99/13 of 22 June 1999, the Executive Board approved programme expenditure authority of $466 million for the biennium ended 31 December 2001. Schedules 4 and 4.1 show that actual allocations raised for the biennium totalled $410.1 million. As at 31 December 2001, unspent project and Technical Advisory Programme allocations totalled $321.2 million, comprising $62.5 million for the biennium and $258.7 million for future years.

5. Programme expenditure for the biennium totalled $344.2 million. Statement 1.1 provides an analysis of this expenditure.

6. Expenditure by the executing agency can be summarized as follows:

	Millions of dollars	*Percentage*
United Nations agencies	40.0	11.2
Governments	123.3	34.4
United Nations Population Fund	146.9	41.0
Intergovernmental institutions and non-governmental organizations	48.0	13.4
Total programme expenditure	358.2	100.0
Programme expenditure charged to cost-sharing resources	14.0	
Programme expenditure charged to regular resources	344.2	

7. Project and Technical Advisory Programme allocations were, respectively, 84.3 per cent and 88.8 per cent utilized in the biennium ended 31 December 2001 (compared with 87.4 per cent and 80.0 per cent in the previous biennium).

3. Biennial support budget

8. Net biennial support budget appropriations for the biennium ended 31 December 2001 of $127.4 million were approved by the Executive Board in its decision 99/21 of 17 September 1999. Gross biennial support budget appropriations were $149.4 million.

9. Gross biennial support budget expenditure was $134.8 million. Schedule 5 provides an analysis of this expenditure. Credits to the biennial support budget totalled $21.3 million. Net biennial support budget expenditure was $113.5 million.

10. The unencumbered balance of appropriations as at 31 December 2001 was $13.8 million.

11. Biennial support budget appropriations were 89.1 per cent utilized in the biennium ended 31 December 2001 (compared with 92.8 per cent in the previous biennium).

4. Operational reserve

12. The operational reserve was established by the Governing Council in January 1973 at $20 million to guarantee the financial viability and integrity of the UNFPA programme. By decision 91/36 of 21 June 1991, the Governing Council decided that the level of the operational reserve should be set at 20 per cent of regular resources income.

13. As at 31 December 2001, the operational reserve was increased to $51.7 million.

5. Liquidity

14. As at 31 December 2001, the value of investments held by UNFPA was $318.4 million, $131.4 million under regular resources and $187 million under other resources. Schedule 7 provides an analysis of investment by type.

15. Statement 2.1 shows that, within regular resources, investments of $51.7 million and $3.9 million are held in respect of the operational reserve and the reserve for field accommodation.

B. Trust funds

16. Schedule 6 provides a statement of account for trust funds for the biennium ended 31 December 2001.

17. The unexpended balance of the trust funds as at 1 January 2000 was $61.7 million. Contributions received totalled $242 million and refunds totalled $4.2 million. Interest and miscellaneous income amounted to $10.8 million. Total funds available for programming in the biennium were $310.4 million. Total expenditure, including support costs, was $185.9 million. The unexpended balance of the trust funds as at 31 December 2001 was $124.4 million.

C. Executing agency accounts

18. In accordance with UNFPA Financial Regulation 17.1 (b), the accounts incorporate data obtained from the biennial accounts of United Nations agencies relating to the status of funds allocated to them for the execution of UNFPA projects in the biennium ended 31 December 2001.

19. In accordance with the recommendations of the United Nations Board of Auditors, UNFPA accepts a letter of reliance from the organizations' auditors in lieu of separately audited statements for UNFPA funds administered by United Nations agencies.

20. The following United Nations agencies executed projects funded by UNFPA in the biennium ended 31 December 2001:

United Nations

Economic Commission for Africa

Economic Commission for Europe

Economic Commission for Latin America and the Caribbean

Economic and Social Commission for Asia and the Pacific

Economic and Social Commission for Western Asia

Food and Agriculture Organization of the United Nations

International Labour Organization

United Nations Educational, Scientific and Cultural Organization

United Nations Children's Fund

United Nations Development Fund for Women

United Nations Office for Project Services

World Health Organization

21. The United Nations Board of Auditors has responsibility for the external audit of UNFPA and the United Nations agencies listed above. The Board has indicated that, with respect to the latter, it will not issue a separate audit opinion on the programme expenditures and programme support costs funded by UNFPA.

22. Should any changes be reported in the audited accounts of the United Nations agencies executing projects funded by UNFPA, UNFPA will report on the changes to the General Assembly and to the Executive Board of UNDP and UNFPA at subsequent sessions. The Executive Director of UNFPA will submit to the Executive Board at a subsequent session copies of the audited statements and audit reports, if any, of the United Nations agencies and copies of any relevant resolutions adopted by their governing bodies, as required under UNFPA Financial Regulation 17.1 (b).

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has reviewed the operations of the United Nations Population Fund (UNFPA) and has audited its financial statements for the biennium ended 31 December 2001. The Board has also conducted management reviews covering, inter alia, programme expenditure, asset management and procurement.

The Board's main findings were as follows:

(a) In 1994, UNFPA advanced $1 million to UNDP for field accommodation but delayed recording any expenditure owing to ongoing discussions with UNDP regarding the final share for UNFPA of the costs. The matter was still not finalized as at 31 December 2001;

(b) The Board noted that 12 per cent of the sample of projects at country offices exceeded their allocations, which resulted in a deficit of $1.8 million in aggregate;

(c) UNFPA has estimated the future value of after-service health insurance benefits at $59.7 million. The balance is not funded;

(d) In its review of programme expenditure, the Board noted the following main issues:

(i) Inconsistent and inadequate audit scopes resulted in different quality reports in respect of nationally executed expenditure;

(ii) UNFPA received audit certificates covering 59 per cent of nationally executed expenditure for the biennium 2000-2001. This represents an improvement from the 50 per cent coverage achieved in the biennium 1998-1999;

(iii) The impact of qualified audit opinions in respect of nationally executed expenditure was not quantified;

(iv) The evaluation of audits of such expenditure was delayed in some instances;

(v) UNFPA did not have a consolidated risk-based assessment model;

(vi) UNFPA did not monitor the cost of audits of nationally executed expenditure.

In summary, the Board made recommendations on disclosure of relevant information, preparation and review of bank reconciliations, follow-up on long-outstanding balances, monitoring and evaluation of nationally executed programme expenditure, proper custody and recording of non-expendable equipment, service-level agreements and general computer controls.

A summary of the Board's main recommendations is contained in paragraph 10 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations Population Fund (UNFPA) for the biennium 2000-2001. The audit was conducted in accordance with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the biennium 2000-2001 had been incurred for the purposes approved by the governing bodies; whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of UNFPA presented fairly the financial position as at 31 December 2001. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence, to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under article 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concerned the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNFPA. The Board's audit included visits to UNFPA headquarters and to six country offices during the biennium, namely, Denmark, Paraguay, Turkey, the United Republic of Tanzania, Uruguay and Zimbabwe.

4. The Board continued its practice of reporting the results of specific audits in management letters, providing detailed observations and recommendations to management. This practice helped to maintain an ongoing dialogue with the Administration on audit issues.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations on all matters contained in the present report were communicated to UNFPA, which has confirmed the facts on which the Board's observations and conclusions are based and provided explanations and answers to the Board's queries.

6. A summary of the Board's main recommendations is contained in paragraph 10 below. Detailed findings are contained in paragraphs 12 to 118.

7. The General Assembly, in its resolution 52/212 B of 31 March 1998, accepted the recommendations of the Board of Auditors for improving implementation of its recommendations approved by the Assembly, subject to the provisions contained in the resolution. The Board's proposals, which were transmitted to the General Assembly in a note by the Secretary-General (A/52/753), included the following main elements:

(a) The need for specification of timetables for the implementation of recommendations;

(b) The disclosure of office-holders to be held accountable;

(c) The establishment of an effective mechanism to strengthen oversight in regard to the implementation of audit recommendations. Such a mechanism could be in the form of either a special committee comprising senior officials or a focal point for audit and oversight matters.

The Board noted that UNFPA had generally complied with those requirements.

1. Previous recommendations not fully implemented

8. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the action taken by UNFPA to implement the recommendations made in its reports for the biennium ended 31 December 1997 and earlier, and confirms that there are no outstanding matters.

9. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by UNFPA to implement the recommendations made in its report for the period ended 31 December 1999. Details of the action taken and the comments of the Board thereon are set out in the annex to the present report.

2. Main recommendations of the Board contained in the present report

10. The Board recommends that UNFPA:

(a) Review the funding mechanism and targets for end-of-service benefits in conjunction with the United Nations and other funds and programmes (para. 33);

(b) Take immediate action to bring to a conclusion the advance in respect of field accommodation that has remained outstanding for eight years (para. 38);

(c) Improve its monitoring procedures to ensure that country offices do not exceed their expenditure allocations (para. 40);

(d) Ensure that standard terms of reference are agreed between the country office and governmental implementing partners and the auditor of nationally executed expenditure, and that the scope and format of the audit is consistent; and compile a mandatory checklist of the standard requirements to assist country offices in adhering to the requirements of the UNFPA Policies and Procedures Financial Manual (para. 69);

(e) Intensify its efforts to improve the audit coverage in countries in which coverage is low, and implement controls to obtain compensating assurances that funds for such countries are used for the purposes intended (para. 78);

(f) Quantify the financial effect of the audit qualifications made in respect of nationally executed expenditure and to evaluate such qualifications against the action plans for reasonableness (para. 80);

(g) Perform a forward-planning exercise to ensure sufficient resources are available to evaluate audit reports on nationally executed expenditure after the prescribed deadline (para. 86);

(h) Create a comprehensive database which would facilitate the implementation of a risk-based assessment model (para. 91);

(i) Maintain data relating to the audit cost for each project on the consolidated database and to analyse the cost in order to determine whether the benefit of the actual audit exceeds the cost, its relation to project expenditure and the risk assigned to the project (para. 93);

(j) Conclude service level agreements with United Nations Development Programme (UNDP) to ensure that services and costs are defined and to enable UNFPA to be fully accountable for transactions incurred on its behalf (para. 97).

11. The Board's other recommendations appear in paragraphs 17, 21, 23, 25, 29, 31, 35, 43, 59, 61, 63, 72, 75, 89, 99, 103, 105, 107, 112, 114 and 118.

B. Financial issues

1. Financial overview

(a) Financial position

12. As reflected in statement 1, UNFPA spent $465.2 million (87 per cent) of its regular resources income of $532.6 million in the biennium 2000-2001. UNFPA also spent $190.1 million (68 per cent) of its other resources of $277.9 million. As a result, UNFPA had excess combined income over combined expenditure to the amount of $155.2 million. This represents a significant improvement over the financial position for the biennium 1998-1999, when UNFPA had a net shortfall of expenditure over income of $51 million from regular resources and excess income of $21.9 million in respect of other resources, resulting in a combined net shortfall of $29.1 million.

13. The main reason for the savings of income over expenditure was primarily the result of limits set by the Executive Director on the Organization's annual expenditure ceiling due to project expenditure budgets being exceeded by actual project allocations in the prior biennium, 1998-1999. The Board reviewed the process followed by UNFPA to monitor its regular funds budget for projects and found that UNFPA prepared on a regular basis an analysis of its allocations and expenditures, for presentation to and discussion by senior staff.

14. To ensure that expenditure would not exceed income, UNFPA embarked on a significant revision exercise owing to the withholding of contributions of some $34 million from one Member State, in respect of the biennium 2002-2003. UNFPA has briefly commented on this matter in note 20 to the financial statements.

(b) Operational reserve

15. The level of the operational reserve was set at $45 million by the Governing Council at its thirty-sixth session in 1989. By decision 91/36 of 21 June 1991, the Governing Council (since known as the Executive Board for UNDP and UNFPA) decided that the level of the operational reserve should be set at 20 per cent of the regular resources income for each year of the UNFPA work plan. During the biennium 2000-2001, UNFPA increased the level of its operational reserve in

accordance with the instructions set by the Executive Board. To achieve the required level, the reserve was increased from $24 million as at 1 January 2000 to $51.7 million as at 31 December 2001.

16. The reserve of $51.7 million represented 9.7 per cent of the regular resources income of UNFPA for the biennium 2000-2001. It also represented 20 per cent of the 2001 contribution income of $258 million specifically, after exchange and tax adjustments. However, both the Executive Board decision and note 12 to the financial statements did not indicate specifically what regular resources should be made up of: for example, the exclusion of exchange and tax adjustments and other income. The Board is also of the opinion that establishing the operational reserve on annual work plans could result in significant fluctuations in the reserve from year to year.

17. **The Board recommends that UNFPA should approach its Executive Board with a view to defining the range of financial assumptions on which the operational reserve should be based. Furthermore, UNFPA should clearly disclose the basis of computing the reserve in the notes to the financial statements.**

2. United Nations System Accounting Standards

18. The Board assessed the extent to which the UNFPA financial statements for the biennium ended 31 December 2001 conformed to the United Nations System Accounting Standards. The review indicated that the presentation of the financial statements was generally consistent with the Standards, except for the matters mentioned below.

19. In paragraph 33 of the Standards, it is stated that, in the interest of prudent financial management, provision may be made as appropriate where the collection of the income so recognized is considered doubtful and that, in specific cases, where the pledge is deemed uncollectable, write-off action will be required; alternatively, the income may be recognized only when funds are received.

20. The financial statements, as at 31 December 2001, reflect accounts receivable from donors amounting of $3.2 million for the biennium 2000-2001 compared to $1.7 million for the biennium 1998 -1999. The Board noted that, $0.783 million (25 per cent) had been outstanding since 1999 and earlier. UNFPA accounts for contribution income on the accrual basis but did not make provision for delays in the collection of the outstanding contributions.

21. **The Board recommends that UNFPA should make a provision for doubtful collection which should be appropriately disclosed in the financial statements and notes thereto.**

22. The carrying value of investments of $93 million was lower than the market value of $94.2 million. UNFPA did not disclose the corresponding market value of investments in the notes to the financial statements, as required by paragraph 48 (ii) of the Accounting Standards.

23. **The Board recommends that UNFPA should disclose investments, in accordance with paragraph 48 (ii) of the United Nations system Accounting Standards, in the notes to the financial statements.**

24. Paragraph 46 of the Standards prohibits the offsetting of accounts receivable by credit balances. Similarly, accounts payable may not be offset by debit balances. The Board noted instances in which offsetting occurred with regard to figures presented in the financial statements to the amount of $0.36 million and $0.75 million for accounts receivable and accounts payable, respectively.

25. **The Board recommends that UNFPA should avoid offsetting debit and credit balances in contravention of paragraph 46 of the Accounting Standards.**

3. Reconciliations

26. UNDP manages investments on behalf of UNFPA. The financial statements reflect an amount of $4 million for accrued interest, comprising $3.4 million of regular resources and $0.6 million of other resources. The Board's calculations indicated that the correct amount was, in fact, $3.8 million, an amount that agreed with UNDP calculations. As a result, the accrued investment interest on UNFPA financial statements was overstated by $0.2 million.

27. The 2000-2001 financial statements disclosed the balance due to UNDP as $15.6 million (for the biennium 1998-1999, the balance was $18.9 million), of which $5.4 million (35 per cent) had been outstanding for more than 12 months. The Board requested UNDP to confirm this amount and noted that, according to UNDP, the balance was $16.36 million, a difference of $0.72 million. An amount of $0.7 million was subsequently explained, although not adjusted in the financial statements.

28. The Board recognized that, as mutually agreed, it is the responsibility of UNDP to process transactions on behalf of UNFPA. However, the Board is of the opinion that **shared services should not free UNFPA from being accountable for its funds and records, as may be processed by UNDP.**

29. **The Board recommends that UNFPA should perform regular reconciliations with UNDP records, and reconciling items should be followed up and cleared in a timely manner.**

30. The United Nations performed the actual payroll runs on behalf of UNFPA and charged UNFPA directly. The payroll was prepared by UNDP and the United Nations on behalf of UNFPA. UNFPA did not validate the payroll cost. The Board noted that reconciliations between the payroll and actual payroll expenses, as charged by the United Nations, were not performed by UNFPA. Therefore, UNFPA was exposed to the risk that employee costs recorded at UNFPA may be inaccurate and invalid payments could be effected by the United Nations in respect of the UNFPA payroll.

31. **The Board recommends that UNFPA should obtain the monthly payroll from UNDP and verify the payroll expenses to the expenses charged on the general ledger by the United Nations.**

4. End-of-service benefits

32. According to note 17 of the financial statements regarding after-service health insurance, the estimated present value of future benefits amounted to $59.7 million. UNFPA has not accrued for the potential liability.

33. **The Board recommends that UNFPA, in conjunction with the United Nations and other funds and programmes, review the funding mechanism and targets for end-of-service benefits.**

5. Accounts receivable

34. The accounts receivable balance as at 31 December 2001 in respect of advances to staff and consultants amounted to $1.3 million ($1.5 million for the biennium 1998-1999). The Board was concerned that this amount had been outstanding since 1998. In addition, there was an outstanding sum of $0.24 million from staff who had separated from UNFPA during 2001.

35. **The Board recommends that UNFPA should take immediate measures to recover the outstanding amount.**

6. Reserve for field accommodation

36. By decision 91/36, the Executive Board approved the establishment of a reserve for field accommodation at the level of $5 million for the biennium 1992-1993, as shown in statement 2.1, and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs of common premises under the auspices of the Joint Consultative Group on Policy.

37. **In 1994, UNFPA advanced $1 million to UNDP but delayed recording any expenditure owing to ongoing discussions with UNDP regarding the Fund's final share of the costs.** During the biennium 1998-1999, the Board recommended that UNFPA should take action to finalize the matter. **The Board noted that, as at 31 December 2001, the matter had still not been finalized.**

38. **Given the fact that the advance in respect of field accommodation has remained outstanding for eight years, the Board recommends that UNFPA should take immediate action to bring the matter to a conclusion.**

7. Funding of country offices

39. In the biennium 2000-2001, the Board reviewed 150 projects with allocations of $191.2 million. **The Board noted that, in 12 per cent of the sample, projects at country offices exceeded their allocations, resulting in a deficit of $1.8 million.**

40. **The Board reiterates its recommendation that UNFPA should improve its monitoring procedures to ensure that country offices do not exceed their expenditure allocations.**

8. Trust funds

41. Schedule 6 of the UNFPA financial statements indicates that $242 million in trust fund contributions were received from donors; this compares with $122.7 million received in the biennium 1998-1999. The Board noted that **contributions amounting to $0.25 million were received from two donors but not recorded in the financial statements.** Therefore, income in the financial statements is understated by $0.25 million.

42. Six of the UNFPA trust funds had negative balances totalling to $0.203 million as at 31 December 2001, compared to $0.84 million as at 31 December 1999.

UNFPA financial regulation 5.2 requires that all trust fund activities be initiated only on a fully funded basis. Therefore, trust fund activities were financed from other resources.

43. **The Board recommends that UNFPA should account for all contributions received and should closely monitor trust fund income and expenditure in order to ensure that it does not obligate expenditure without sufficient funds being available.**

9. Write-off of losses of cash, receivables and property

44. UNFPA reported to the Board of Auditors 132 cases in which it had written off operationally completed projects with a total value of $0.6 million. During the interim audit, the Board recommended that UNFPA should follow up operationally closed projects that were not financially closed. Since the interim audit, UNFPA reviewed over 1,700 such projects and closed and archived over 1,200. The Board commends UNFPA for its efforts.

10. Ex gratia payments

45. UNFPA reported no ex gratia payments during the biennium 2000-2001.

C. Management issues

1. Programme expenditure

46. Programme expenditure is non-administrative expenditure incurred through the implementation of projects. Programme expenditure in the biennium 2000-2001 amounted to $533.8 million, compared to $569.8 million in the previous biennium. Of this amount, $344.2 million was funded from regular resources and $189.5 million from other resources. Of the total of $344.2 million, government-implemented expenditure amounted to $123.3 million and that of non-governmental organizations to $48 million, while that directly implemented by UNFPA amounted to $146.9 million. **In its review of programme expenditure, the Board noted the following main issues:**

(a) Inconsistent and inadequate audit scopes resulted in different quality reports in respect of nationally executed expenditure;

(b) UNFPA received audit certificates covering 59 per cent of nationally executed expenditure for the biennium 2000-2001;

(c) The impact of qualified audit opinions in respect of nationally executed expenditure was not quantified;

(d) The evaluation of audits of such expenditure was delayed in some instances;

(e) UNFPA did not have a consolidated risk-based assessment model;

(f) UNFPA did not monitor the cost of audits of nationally executed expenditure.

Programme expenditure incurred by Governments

(i) Background

47. As a form of project implementation, UNFPA provided funds directly to Governments and non-governmental organizations. This funding modality is commonly referred to as nationally executed expenditure.

48. According to the national execution and implementation arrangements drawn up within the framework of the United Nations System Chief Executives Board for Coordination, national execution includes the gradual transfer of all responsibilities to national entities, including procurement, recruitment, accounting, reporting, monitoring and evaluation. The responsibility and management of financial accounting, recruitment and procurement might vary, depending on local conditions. In keeping with the objectives of sustainability and ownership, financial management by national entities through the provision of financial assistance for specific activities is to be encouraged. Depending on the local situation in each programme country, national execution might entail cash advances to national authorities or non-governmental organizations or reimbursement of actual expenditure in other cases. This does not detract from the separate responsibility of United Nations entities to be accountable to their governing bodies or funding sources for the proper reporting of expenditure and appropriate monitoring and evaluation.

49. UNFPA exercises control and accountability for nationally executed expenditure by implementing procedures at both headquarters and the country office level. One of the main features of the modality is to advance funds to implementing partners and to record only the subsequent expenditure when such advances are cleared through the receipt of supporting documentation from the implementing partner and country offices.

50. UNFPA's financial statements for the biennium ended 31 December 1999 were subject to a qualified opinion by the Board of Auditors owing to non-receipt of audit certificates from governmental and non-governmental implementing partners for programme expenditure of $98.3 million. The amount reflected an increase of $15.2 million, compared to the scope restriction of $83.1 million for the biennium 1996-1997. The proportion of nationally executed expenditure covered by audit reports decreased from 70 per cent in the biennium 1996-1997 to 50 per cent in the biennium 1998-1999. Nationally executed expenditure for governmental partners for the biennium 2000-2001 amounted to approximately $162.8 million from regular resources (excluding projects funded by United Nations agencies).

51. In 2000, the Advisory Committee on Administrative and Budgetary Questions expressed its concern with regard to the level of audit coverage of programme expenditure and its concern that the Board of Auditors had qualified its opinion on UNFPA financial statements for the past three bienniums (A/55/487, para. 29). Consequently, in its resolution 55/220 A of 23 December 2000, the General Assembly decided to defer action on the financial statements of UNFPA for the period ended 31 December 1999, pending certification by the Board of Auditors that satisfactory progress was being made towards removing the reasons for the qualified opinions.

52. In response to the action taken by the Assembly, UNFPA drew up a plan that included the following measures to address the reasons that led to the qualified audit opinion:

(a) Continued efforts to obtain audit reports in respect of the biennium 1998-1999;

(b) Setting targets to secure audit reports covering up to 100 per cent and 90 per cent of expenditures incurred in 2000 and 2001, respectively, through governmental and non-governmental organizations;

(c) Proposals to revise a financial rule and related internal directives to require an increased level of audit coverage;

(d) More intensive focus by senior management on poorly managed projects and those with large expenditures;

(e) Closer monitoring and evaluation of audit plans and timely submission thereof;

(f) Increased use of private firms in instances where governmental auditors did not have the capacity to conduct audits.

53. By resolution 55/220 B of 8 March 2001, the General Assembly noted that the Board had expressed its satisfaction that, in principal, the plans developed by UNFPA provided an adequate basis for improving the extent to which nationally executed expenditure was covered by audit reports. The Assembly subsequently accepted the audited financial statements, but requested UNFPA to adhere to the plan to correct deficiencies leading to the qualified audit opinion.

(ii) Approach and objective

54. The audit reports on nationally executed expenditure provide a form of assurance that the funds advanced to executing agencies and Governments, and reported in the UNFPA financial statements, have been properly utilized for the purpose for which they were intended. Therefore, such reports form part of the internal control structure of UNFPA.

55. The Board noted that, in addition to the audit reports required from governmental and non-governmental implementing partners, UNFPA has regulations, instructions and directives in place — which could support its responsibility for being accountable to the General Assembly — that are aimed at ensuring that valid expenditure was properly incurred, accurately recorded and accounted for completely. The extent of control assurance is, however, dependent on the level of compliance with these requirements and the effective functioning of such controls.

56. The Board separated the procedures that are intended to ensure better controls and compliance from the procedures that impact on the accuracy of recording expenditures in the accounts of UNFPA. The outcome of the assessment of the former had an impact on our opinion on compliance with regulations and legislative authorities and the Board's comments on internal controls, while that on the latter had an impact on the Board's opinion on the UNFPA financial statements.

(iii) Advances: operating funds provided to Governments

57. Governmental and non-governmental implementing partners avail themselves of advances from UNFPA for projects based on signed project documents. The amount paid to these implementing partners is therefore recorded as an advance in the accounts of UNFPA. The advance paid is limited to a maximum period of three months, after which the implementing partner must submit a set of prescribed financial records on the utilization of the funds. These financial records are reviewed by the respective UNFPA country office and subsequently recorded as expenses by clearing the advances. These financial reports are also subject to audit on an annual basis, depending on the materiality of the projects. Therefore, the level of outstanding advances as at 31 December 2001 represents the financial reports which were not due, submitted or reviewed. Further advances should only be made on the basis of previously cleared advances.

58. Total advances in respect of nationally executed expenditure amounted to $30.2 million, of which advances to governmental implementing partners ($18.8 million) and non-governmental organizations ($9.9 million) represented 95 per cent of the outstanding amount. The Board requested UNFPA to provide an age analysis of advances to Governments and non-governmental organizations. UNFPA stated that the operating fund account used for these advances is operated on a first-in, first-out basis and, accordingly, no ageing is possible.

59. **The Board recommends that UNFPA should generate an age analysis to review outstanding advances made in respect of nationally executed expenditure with a view to ensuring accountability of implementing partners, taking into account future work plans.**

(iv) Appointment of auditors of nationally executed expenditure

60. The UNFPA Policies and Procedures Financial Manual indicates who can be appointed as auditors of nationally executed expenditure. The UNFPA monitoring database does not indicate who appoints the auditors. Auditors are appointed by both implementing partners and the UNFPA country offices.

61. **The Board recommends that UNFPA should include in its monitoring tools details of the appointment of auditors of nationally executed expenditure and use such details to verify compliance with the criteria set forth in its Policies and Procedures Financial Manual.**

62. The Board noted that **there was no evidence of any internal control procedures formulated and implemented to ensure that the auditors appointed have the required integrity, technical competence and experience.** Control checks on integrity and competence of the auditors were performed for only two projects of a sample of 18. The inconsistencies in the quality of the audit reports were evident from the observations raised by internal audit during their evaluation of the audit reports.

63. **The Board recommends, and UNFPA agrees, that its directives on nationally executed expenditure should include specific procedures and predetermined criteria to ensure that auditors of the required independence, integrity and technical competence are appointed and that compliance with those directives are monitored by the country office.**

(v) Terms of reference and audit scope of auditors of nationally executed expenditure

64. The UNFPA Policies and Procedures Financial Manual requires that terms of reference be drawn up for the auditors of nationally executed expenditure. The following matters should be included in the terms of reference and should form part of the contract or agreement with the auditor: purpose of the audit; audit scope; audit certification; methodology and timetable; sources of information; and the audit report. Furthermore, weaknesses in internal control were required to be communicated to the implementing partners in the form of management letters or draft reports.

65. The Board noted that there was not always evidence of any terms of reference for the auditors. The absence of the terms of reference resulted in inconsistencies in the audit scope and audit objectives. Furthermore, the audit for a few projects focused only on financial issues and did not cover any management issues, as prescribed.

66. Therefore, the Board considers that the audit scope was inconsistent and not in accordance with the criteria prescribed by the UNFPA Policies and Procedures Financial Manual. Consequently, **the audits performed of nationally executed expenditure have resulted in audit reports of different quality and the audit of different objectives**, which did not facilitate the performance of a risk assessment for each project, and monitoring of the evaluation.

67. The UNFPA Policies and Procedures Financial Manual prescribes a standard format of audit reports that should be used by auditors of nationally executed expenditure. The Board noted that format of the audit reports differed and was not in accordance with the UNFPA guidelines.

68. It is also best practice to include the status of implementation of the prior year's audit recommendation in the current audit report. Only for 1 of a sample 18 projects was the status of the prior year's audit recommendations included in the audit report.

69. **The Board recommends, and UNFPA agrees, that it should:**

(a) **Ensure that standard terms of reference are agreed by the country office and governmental implementing partners and the auditor of nationally executed expenditure, and that the scope and format of the audit is consistent; and**

(b) **Compile a mandatory checklist of the standard requirements to assist country offices in adhering to the requirements of the UNFPA Policies and Procedures Financial Manual.**

(vi) Plans for audit coverage of nationally executed expenditure

70. The UNFPA Policies and Procedures Financial Manual requires that plans for audits of nationally executed expenditure be compiled by the executing agent in consultation with UNFPA country offices, and that they must reach headquarters by the November of the year subject to audit. The plan lists the projects scheduled to be audited in a given year, giving consideration to whether the project has previously been audited, the volume of funds, the number of projects and the workload.

71. The UNFPA audit section only became responsible for the review of audit reports on nationally executed expenditure on 1 March 2001. Consequently, UNFPA planned to conduct audits for 100 per cent of nationally executed expenditure in 2000 and 90 per cent of such expenditure in 2001. UNFPA made efforts to improve the monitoring and evaluation of plans for such audits by compiling and maintaining a database for the purpose. This control mechanism represented a significant improvement in the monitoring of audit plans when compared to the biennium 1998-1999, and was one of the actions identified by the management of UNFPA to improve the situation relating to nationally executed expenditure. However, the Board noted that 118 plans for audit were received from country offices for 2000, for which 767 project audits were scheduled. Of these plans, 50 (233 projects) were not submitted within the stipulated time frames. The proper functioning of this control facilitates the timely monitoring and evaluation of nationally executed projects and therefore promotes the objective of accountability. The total planned audit coverage of nationally executed expenditure for 2001 was $75.2 million, which represented 71 per cent of the total for 2001. By 28 February 2002, 85 per cent of all countries had submitted their audit plans.

72. **The Board recommends, and UNFPA agrees, that in future audit planning exercises, special attention should be devoted to those country offices that had not submitted audit plans in time by requesting them to commence with the planning exercise well in advance of the prescribed deadline, and that UNFPA should intensify its follow-up action for country offices that have not adhered to requirements.**

(vii) Country office action plans

73. The UNFPA Policies and Procedures Financial Manual requires the UNFPA resident representative to review the audit reports on nationally executed expenditure and forward them to UNFPA headquarters, together with an assessment of compliance with audit requirements, no later than 31 March.

74. In the case of adverse findings, the UNFPA representative should discuss solutions with the implementing partner and agree on follow-up action plans. Where issues cannot be rectified at the country level, the UNFPA representative should obtain guidance from UNFPA headquarters. The review is also important since it provides a progress report to UNFPA headquarters on how the country office and the implementing partner plan to resolve matters raised by the auditors and the progress made in this regard. **The Board noted that, for 33 per cent of the randomly selected projects, there was no evidence of country office reviews of the reports on nationally executed expenditure.**

75. **The Board recommends that UNFPA should include in a consolidated database all country office action plans relating to the audit reports on nationally executed expenditure and that non-compliance by the country office should be noted and taken into account in the overall assessment of that office.**

(viii) Audit coverage of nationally executed expenditure

76. An amount of approximately $77.4 million was incurred as nationally executed expenditure in 2000, of which $68 million (88 per cent) was audited. In 2001, approximately $106.6 million was incurred as nationally executed expenditure, of which $41 million (38 per cent) was covered by the auditors. **A combined audit**

coverage of 59 per cent was achieved, compared to the planned coverage of 95 per cent. This represents an improvement over the 50 per cent coverage achieved in the biennium 1998-1999.

77. It was, however, noted that certain country offices had low individual audit coverage of nationally executed expenditure. Furthermore, the findings of the audits in these countries were not encouraging: audit qualifications and internal control weaknesses were noted, as was the non-submission of the required financial forms that should accompany the audit reports. In the absence of alternative monitoring and compensating controls in these country offices, adequate assurance on the proper use of funds may not be obtained by UNFPA.

78. **The Board recommends, and UNFPA agrees, to intensify its efforts to improve audit coverage in countries in which coverage is low and to implement controls to obtain compensating assurances that funds for such countries are used for the purposes intended.**

79. The Board noted **that, although high audit coverage was obtained by certain country offices, these were qualified audit opinions for a significant number of projects in these countries**. Of 767 projects (costed at $90.2 million for 2000), approximately 216 (28 per cent) were qualified by the auditors of nationally executed expenditure. However, UNFPA did not record the actual impact of the qualification. Therefore, although audit coverage might be high, the assurance obtained by UNFPA would be lower owing to the qualified audit opinions in these countries. Table 1 below illustrates this point.

Table 1
No quantification of audit qualifications

Country office	*Expenditure (in United States dollars)*	*Percentage audited*	*Number of projects*	*Number of qualified reports*	*Internal control weaknesses*
Angola	146 539	87	7	4	6
Benin	280 878	67	10	8	9
Burkina Faso	704 822	100	6	5	5
India	6 248 778	98	25	20	20
Madagascar	631 325	100	12	7	12
Total	**8 012 342**		**60**	**44**	**52**

80. **The Board recommends, and UNFPA agrees, to quantify the financial effect of audit qualifications made in respect of nationally executed expenditure and to evaluate such qualifications against the action plans for reasonableness.**

(ix) Evaluation of audit reports on nationally executed expenditure

81. The UNFPA Policies and Procedures Financial Manual requires that audit reports on nationally executed expenditure be submitted to headquarters by 31 March of the year following the audit. While the Board acknowledged the high audit coverage of such expenditure achieved by UNFPA, it expressed concern over the late submission of the audit reports to UNFPA headquarters by the country offices.

82. The UNFPA database indicated a total of 1,080 nationally executed projects for 2000. A total of 767 projects (71 per cent) were audited, of which the Board noted that audit reports for only 52 projects (7 per cent) were received prior to the required cut-off date of 31 March. The audit reports for the remaining 715 projects (93 per cent) were received after the cut-off dates.

83. **While the Board recognized the constraints under which UNFPA operated, delays of up to nine months were noted in the evaluation of the audit reports.** Of the 767 projects for 2000 that were subjected to audits of nationally executed expenditure, 639 were evaluated by the end of February 2002.

84. The 2001 database indicated that there were 1,499 nationally executed projects, of which 742 projects (78 per cent) were to be audited. The Board noted that audit reports for only 245 of these projects (33 per cent) were received as at 17 May 2002 and were in the process of being evaluated, that 233 audit reports were received after the cut-off date, and that 497 were still outstanding.

85. The objective of the audit of nationally executed expenditure is not only to detect problems and non-compliance with regulations, but also to apply preventative measures that must be identified and reported in a timely manner. Therefore, the timely evaluation of audit reports is critical to ensuring that the objective of accountability of funds is achieved.

86. **The Board recommends, and UNFPA agrees, to perform a forward-planning exercise to ensure sufficient resources are available to evaluate audit reports on nationally executed expenditure after the prescribed deadline.**

(x) Monitoring and evaluation of nationally executed projects

87. The Board reviewed the compensating controls for those projects in the sample that were not subjected to audits of nationally executed expenditures, as a means of testing the controls aimed at ensuring that funds were incurred for the purposes intended, thus promoting accountability. The UNFPA Policies and Procedures Programme Manual lists specific monitoring and evaluation exercises as mandatory.

88. The Board noted that, based on the information submitted by UNFPA headquarters, only 14 per cent of the sample had information relating to the monitoring and evaluation exercise for the year under review. There was no evidence that any monitoring and evaluation procedures, as prescribed by the UNFPA Policies and Procedures Financial Manual, were performed for the remaining projects. The Board therefore expressed concern that, in the absence of alternate monitoring and compensating controls, adequate assurance on the proper use of funds under the modality for nationally executed expenditure might not be obtained.

89. **The Board recommends, and UNFPA headquarters agrees to adhere, as far as practical and feasible, to the mandatory project evaluation and monitoring procedures prescribed in its directives. Furthermore, UNFPA headquarters should focus its attention on those projects that have not been subjected to audits of nationally executed expenditure as a means of obtaining adequate assurance, and should also record in the consolidated database details of compensating controls implemented in those country offices at which assurance is low.**

(xi) Risk-based database

90. **UNFPA headquarters did not maintain a database that included a history or trend analysis of the audit process in respect of nationally executed expenditure and results in the various country offices as a means of assessing project risk and identifying those projects or country offices that were problematic, and that therefore warranted further attention and guidance from headquarters. Such consolidated information could also be used by the internal audit function to enhance existing country office assessments.** In future, a risk-based model may enable UNFPA to establish requirements for audits of nationally executed expenditure based on risk rather than only on quantitative thresholds.

91. **The Board recommends that UNFPA create a comprehensive database which would facilitate the implementation of a risk-based assessment model.**

(xii) Costs of audits of nationally executed expenditure

92. **UNFPA did not maintain data on audit costs by project.** Hence, UNFPA could not analyse audit cost data to determine whether it was feasible and practical to have the project audited based on project risk and project expenditure.

93. **The Board recommends and UNFPA headquarters agrees to maintain data relating to the audit cost for each project on the consolidated database and to analyse the cost in order to determine whether the benefit of the actual audit exceeds the cost, its relation to project expenditure and the risk assigned to the project.**

(xiii) Conclusion

94. The Board has noted the significant efforts made by UNFPA which have led to improvements in the coverage of programme expenditure in order to validate that funds have been utilized for the intended purpose, especially with regards to nationally executed expenditure. However, **the Board remains concerned that the functioning of controls is not at an optimum level that would ensure effectiveness of procedures and obtain adequate assurance of the proper performance of the funds.** While this limitation does not impact on the fair presentation of the financial statements, UNFPA should implement measures, in a cost-effective manner, to address accountability and the proper utilization of funds implemented as nationally executed programme expenditure.

2. Shared services

95. A number of services were being provided by UNDP to UNFPA. These services encompass areas of personnel, administration, finance, information technology and internal audit. However, a signed service-level agreement existed only for internal audit services. Cognizance was taken of the progress achieved on the initiative of UNFPA, with regard to the adoption of activity-based costing, with reference to industry best practice, in the formulation of holistic principles governing shared services in which external consultants were involved.

96. The Board is, however, concerned that **no agreed principles have been finalized and that service-level agreements have not yet been signed between the affected operating divisions of UNFPA and UNDP, except in respect of internal audit services.** Therefore, the issue of shared services continues to operate

with no agreed deliverables, areas of accountability, performance indicators and cost-determination principles.

97. **The Board recommends, and UNFPA agrees, that it should immediately conclude service-level agreements with UNDP to ensure that services and costs are defined and to enable UNFPA to be fully accountable for transactions incurred on its behalf.**

98. Since UNFPA uses UNDP accounting and treasury services, it adopted the Integrated Management Information System (IMIS) accounting system with effect from 1 January 1999, in line with the transfer of UNDP to the new system. UNFPA faced difficulties similar to those experienced by UNDP in introducing IMIS, which were outlined in the Board's report for the biennium 1998-1999. These difficulties reduced the ability of UNFPA effectively to manage and control certain of its operations during the biennium 2000-2001. In particular, the Board noted that the delays in recording transactions led to weaknesses in financial control. UNDP, which provided the treasury management function for UNFPA, was unable to perform regular and timely bank reconciliations for 28 bank accounts throughout the biennium 2000-2001. Such reconciliations are a fundamental financial control, and their absence increases the risk of financial loss to UNFPA and jeopardizes the accuracy of the financial information on which management bases its decisions.

99. **The Board recommends that, in concluding service-level agreements with UNDP, UNFPA should ensure that such agreements will enable it to implement and review key controls, such as bank reconciliations.**

3. Asset management

Non-expendable equipment records

100. According to note 14 of the financial statements, non-expendable equipment for headquarters and country offices amounted to $2.8 million and $8.5 million, respectively.

101. It was noted that inventory records covering each organizational unit at headquarters and indicating all non-expendable equipment under its control were not maintained. Furthermore, the Procurement and Administrative Branch is not notified of the movement of equipment between physical locations. Information in the inventory records, therefore, did not always correspond to the actual location of the inventory item in question.

102. A number of items of non-expendable equipment have yet to be coded on the new headquarters asset identification system. Non-expendable equipment could not always be physically verified because it could not be located. In addition, non-expendable equipment selected from physical locations could not always be traced to inventory records. **Control over the recording, safekeeping and maintenance of assets at headquarters was not therefore carried out in accordance with UNFPA financial regulations and rules.** It was noted that the issue of control over inventory had been compounded by relocation exercises.

103. **The Board recommends that organizational units at UNFPA headquarters should be tasked with the review and verification of all non-expendable equipment under the Fund's control. Furthermore, UNFPA should expedite the transfer of all remaining non-expendable equipment to the coding system.**

4. Procurement

104. During the interim audit, the Board noted that 84 per cent of the selected country offices failed to forward receipt and inspection reports to headquarters in a timely manner in respect of goods procured. Furthermore, lead times between date of purchase order and date of receipt of goods could not be evaluated for lack of the aforementioned receiving and inspection reports. The Board noted that an intensive exercise has been undertaken by UNFPA in this regard. However, some offices still did not submit their reports within the stipulated time.

105. **In order to facilitate effective control over the receipt of all goods and services procured, the Board recommends, and UNFPA agrees, that all country offices should complete receipt and inspection reports within three weeks of the delivery of such goods or services and forward such reports to the headquarters procurement unit, as prescribed in paragraph D.25 of the UNFPA procurement manual.**

106. In the audit of the biennium 1998-1999, the Board noted that UNFPA did not have proper procedures whereby the performance of vendors and suppliers was formally recorded. UNFPA informed the Board that no formalized process had been implemented in the biennium 2000-2001 since its core suppliers were heavily concentrated in the area of reproductive health and thus procurement personnel were constantly in contact with such vendors. The requirement to institute a formal vendor evaluation protocol would be addressed in 2002. (In 2002, approximately 10 million apparently defective condoms valued at approximately $586,000 were delivered to a Member State. UNFPA is investigating the matter and the Board will follow this up in its next audit.)

107. The Board reiterates its recommendation that UNFPA should develop a process for formally recording and monitoring the performance of its suppliers.

5. Internal oversight reports

108. The UNDP Office of Audit and Performance Review performs the internal audit function on behalf of UNFPA. The Board reviewed the output of the Office. During the biennium ended 31 December 2001, the Office completed a number of internal audits and investigations and issued reports, as summarized in table 2.

Table 2
Oversight reports

Internal audit and oversight services provided	*Reports issued*		
	2000	*2001*	*Total*
Management reviews and advisory services	0	0	0
Internal audits/reviews of functions	0	1	1
Internal audits/reviews of projects	0	0	0
Internal audits/reviews of country offices	29	27	56
Subtotal, audits/reviews	**29**	**28**	**57**
Control self-assessment sessions	0	0	0
Special investigation audits	1	1	2
Total	**30**	**29**	**59**

109. Of 59 UNFPA audits/reviews of management audits, only one related to UNFPA headquarters. As in the previous biennium, the Office of Audit and Performance Review did not perform any audits evaluating and reporting on the reliability of the accounting and other data developed by UNFPA for the production of financial statements.

110. For each country office, the Office assessed the adequacy of internal controls according to the following ratings: good; satisfactory; marginally deficient; deficient; and seriously deficient. Special audit reports do not have ratings. Table 3 shows the breakdown by overall rating of the internal audit reports issued for UNFPA country offices during the biennium.

Table 3
Assessment of country offices

Year	*Good*	*Satisfactory*	*Marginally deficient*	*Deficient*	*Seriously deficient*	*Total*
2000	-	12	9	4	2	27
2001	-	10	15	3	2	30

111. The Board noted that the adequacy of internal controls was assessed as less than satisfactory at 35 (61 per cent) of the country offices audited. As from 2001, the Office of Oversight and Evaluation of UNFPA requires country offices to provide updates of the status of any outstanding recommendations. The Office reviews these responses and maintains details of them on a central database, the Comprehensive Audit and Recommendations Database System (CARDS). Country offices have direct access (Internet based) to this database and can update the status of their audit recommendations online. However, the Office did not enforce a time limit on the responses and, subsequently, not all country offices complied with this requirement.

112. **The Board recommends that UNFPA should follow up with country offices on all outstanding recommendations and enforce the time restrictions given to country offices so as to facilitate a timely response.**

6. Information and communications technology

Computer audit of the general controls surrounding the Integrated Management Information System

113. General controls establish a framework of overall control over the information and communications technology environment and provide reasonable assurance that it supports the overall objectives of internal control. Such controls are important, since they serve as the foundation for the controls of all application systems and ensure the effective operation of procedures, including the design, implementation, security, use and amendment of programmes and files. The findings of the reviews carried out in this area highlighted that, although some general controls were in place, there were several weaknesses in the control environment as a whole. The most significant control weaknesses at UNFPA were:

(a) UNFPA did not have a formally documented, approved and updated strategic plan in respect of information technology, a disaster recovery plan, or back-up and restore procedures;

(b) UNFPA informed the Board that security issues are observed and implemented in practice. However, security management is not governed by means of a formal, documented and approved security policy;

(c) UNFPA had changed control procedures but these were not formally documented and approved.

114. **The Board recommends, and UNFPA agrees, formally to:**

(a) **Develop, implement and update a short-term to long-term strategic plan in respect of information and communications technology;**

(b) **Establish, approve, implement and update on a regular basis a security policy;**

(c) **Compile documented computer program change control procedures.**

7. Cases of fraud and presumptive fraud

115. UNFPA reported to the Board of Auditors 21 cases (7 with a total value of $33,386 and the balance still to be determined) of fraud and presumptive fraud. For 10 cases involving bribery, falsifying records and procurement fraud, UNFPA has yet to complete investigations or identify the amounts involved; in most of the cases, the failure in the procurement controls were identified. In the remaining 11 cases, involving alleged misuse of funds in governmental projects, financial irregularities and general misappropriation of funds, UNFPA has yet to complete investigations and identify the amount involved. UNFPA has recovered $14,165 and closed 4 cases.

116. In the audit of the biennium 1998-1999, the Board recommended that UNFPA make every effort to recover an overpayment of up to $1.8 million from a contractor. UNFPA informed the Board that it was still in the process of establishing the amount

of the overpayment and that due process in disciplinary proceedings had been completed against the staff involved. UNFPA is in the process of putting together a cost recovery committee which will attempt to recover the overpaid amount to the extent possible. The Board expresses concern regarding the delay in recovering the amount.

117. UNFPA did not have a fraud prevention plan, although elements of fraud prevention were included in various rules and procedures. The Board believes that a well-structured and implemented plan could have the benefit of increasing donor confidence in UNFPA. In developing the fraud prevention plan, UNFPA should consider:

(a) Establishment of a corruption and fraud prevention committee which would serve as an effective framework and coordination point for a corruption and fraud prevention plan;

(b) Conducting a formal corruption and fraud risk assessment;

(c) Conducting ethics, corruption and fraud awareness training sessions and workshops among managers, international and area employees and other stakeholders;

(d) Strengthening existing and developing further detection mechanisms;

(e) Developing appropriate resolution mechanisms for reported and detected incidents and allegations of corruption and fraud.

118. **The Board recommends that UNFPA should develop a fraud prevention plan, which would include fraud awareness initiatives. In developing the plan, UNFPA should discuss features of it with the concerned units of the United Nations and other funds and programmes so as to obtain the benefit of best practice, where available, in specific or all elements being considered.**

D. Acknowledgement

119. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of the United Nations Population Fund and her staff.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(*Signed*) François **Logerot**
First President of the Court of Accounts of France

27 June 2002

Annex

Action taken to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1999[a]

The Board has followed up the actions taken by UNFPA to implement the Board's recommendations made in the context of its report for the biennium ended 31 December 1999. Table A.1 summarizes the status of implementation of all of those recommendations, while table A.2 details specifically recommendations which have not been implemented and recommendations which are in the process of implementation and which require further comment.

A total of 13 recommendations were made in the audit of the biennium 1998-1999. Of the 13 recommendations, 6 (46 per cent) were implemented, 6 were under implementation (46 per cent) and 1 was not implemented (8 per cent).

[a] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5G* (A/55/5/Add.7).

Table A.1
Status of implementation of recommendations for the biennium 1998-1999[a]

Topic	*Implemented*	*Under implementation*	*Not implemented*	*Total*
Component A. Financial issues				
1. Budget implementation	Para. 11 (a)			1
2. Operational reserve	Para. 11 (b)			1
3. End-of-service benefits	Para. 15			1
4. Non-expendable equipment	Para. 17			1
5. Trust funds		Para. 11 (d)		1
Subtotal				
Number	**4**	**1**	**0**	**5**
Percentage	**80**	**20**	**0**	**100**
Component B. Management issues				
1. Programme expenditure		Para. 11 (c) Para. 11 (e)		2
2. Project management		Para. 11 (f)		1
3. Procurement	Para. 11 (g) Para. 11 (h)	Para. 11 (j)		1
4. Fraud and presumptive fraud		Para. 11 (k)	Para. 11 (i)	4
Subtotal				
Number	**2**	**6**	**1**	**8**
Percentage	**25**	**46**	**8**	**100**
Total				
Number	**6**	**5**	**2**	**13**
Percentage	**46**	**39**	**15**	**100**

[a] See *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5G* (A/55/5/Add.7), chap. II.

Table A.2
Recommendations for the biennium 1998-1999[a] which have not been implemented or which are in the process of implementation

Management			
Component area of concern	*Recommendation*	*Specific management action/comments, as at 30 April 2002*	*Comments of the Board*
Programme expenditure (para. 11 (c))	Require field offices to prepare annual plans, identifying which projects will be subject to external audit, and coordinate these plans at UNFPA headquarters to ensure that the organization has planned a sufficient level of coverage.	Field offices were requested to submit project audit plans for 2000 and 2001 to the UNFPA Audit Section by November 2000 and 2001, respectively. The section maintains a database on audit plans received in order to monitor their preparation as well as the level of audit coverage indicated.	Under implementation. The Board's comments are contained in the present report (paras. 70-72).
Trust funds (para. 11 (d))	Closely monitor trust fund income and expenditure to ensure that it does not obligate expenditure without having sufficient funds available.	Trust fund project budget control happens at the activity level. Expenditures cannot take place without there being sufficient funds.	Under implementation. The Board will continue to keep this matter under review in view of the harmonization project.
Programme expenditure (para. 11 (e))	Make use of UNFPA criteria for assessing technical and managerial capacity mandatory in selecting executing agencies; and require that project documents contain clear assessments of the capacities of executing agencies and specifically address any identified weaknesses.	The intention was to reflect this in the current revision of the programme manual, which is still ongoing. At the same time there is now a working group of the United Nations Development Group on harmonized and simplified programme implementation modalities. UNFPA procedures need to conform to the outcome of this group.	Under implementation. The Board will continue to keep this matter under review in view of the harmonization project.
Project management (para. 11 (f))	Strengthen the management and monitoring of its projects at the design phase by incorporating baseline information, qualitative and quantitative performance indicators, and an explanation of how the executing agency will collect performance data in the course of projects.	UNFPA is in the process of developing programme and monitoring tools to aid country office staff in programme management. In 2001, UNFPA conducted two regional workshops on results-based programme and office management that emphasized improved management practices,	Under implementation. The Board has noted the initiatives taken by UNFPA and the progress made. The Board will keep this matter under review.

Management			
Component area of concern	*Recommendation*	*Specific management action comments, as at 30 April 2002*	*Comments of the Board*
		including the use of indicators. An additional workshop was conducted in March 2002. To complement these workshops, UNFPA continues to develop monitoring and evaluation tools. The most recent set of tools included a results-based project work plan, revised project reports and a programme management plan. Since May 2001, an inter-divisional working group on the programming process guidelines has been working on a results-based revision of the current programme guidelines. UNFPA expects the new guidelines to be issued in 2002.	
Procurement (para. 11 (i))	Develop a process for formally recording and monitoring suppliers' performance.	No formal vendor evaluation process has yet been instituted. Core suppliers of UNFPA are heavily concentrated in the area of reproductive health, in terms of both order value and order volume. In this respect, the procurement personnel are in contact on a weekly and often daily basis with such core suppliers and ensure frank and open feedback on the performance of such suppliers. The procurement volume and value executed in 2001 increased dramatically. This, combined with the departure of the Chief of the Procurement Services Section, combined to preclude the development of new initiatives in a number of areas within the procurement	Not implemented. The comments of the Boa are addressed in the prese report (paras. 106-107).

Component area of concern	Management: Recommendation	Management: Specific management action comments, as at 30 April 2002	Comments of the Board
		mandate. The requirement to institute a formal vendor evaluation protocol will be addressed during 2002.	
Procurement (para. 11 (j))	Remind all country offices of the need to submit receipt and inspection reports within three weeks of delivery for all goods procured by headquarters.	Please see the memorandum by the Deputy Executive Director (Management) dated 10 May 2002 on procurement services, reminding all parties of the requirement to submit receipt and inspection reports in a timely manner (i.e., within three weeks of arrival). It is noted that since this was circulated, the return of receipt and inspection reports has improved significantly.	Under implementation. The Board's comments are contained in the present report (paras. 104-105).
Fraud and presumptive fraud	Make every effort to recover the overpayment of up to $1.8 million from the contractors once its final value has been verified.	UNFPA is still in the process of verifying the amount of overpayment. Due process in disciplinary proceedings has been completed against staff involved.	Under implementation. The Board's comments are contained in the present report (para. 116).

[a] See *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5G* (A/55/5/Add.7), chap. II.

Chapter III
Audit opinion

We have audited the accompanying financial statements, comprising statements I to III, schedules 1 to 7, and the supporting notes of the United Nations Population Fund for the biennium ended 31 December 2001. The financial statements are the responsibility of the Executive Director. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Director, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all significant respects, the financial position as at 31 December 2001 and the results of operations and cash flows for the biennium then ended in accordance with the Fund's stated accounting policies set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Without qualifying our opinion above, we draw attention to our findings on nationally executed programme expenditure. Although we noted significant improvements, we were concerned about the effectiveness of internal controls and procedures as well as the adequacy of the assurance obtained by the United Nations Population Fund that funds had been properly used for the purpose intended.

Further, in our opinion, the transactions of the Fund, which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and legislative authority.

In accordance with article XII of the Financial Regulations, we have also issued a long-form report on our audit of the Fund's financial statements.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(*Signed*) François **Logerot**
First President of the Court of Accounts of France

27 June 2002

Chapter IV
Certification of the financial statements

17 May 2002

Sir,

We, the undersigned, acknowledge that:

- The Management is responsible for the integrity and objectivity of the financial information included in these financial statements.
- The financial statements have been prepared in accordance with the United Nations System Accounting Standards and include certain amounts that are based on Management's best estimates and judgements.
- Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The Internal Auditor continually reviews the accounting and control systems. Further improvements are being implemented in specific areas.
- The Management provided the United Nations Board of Auditors and the Internal Auditor with full and free access to all accounting and financial records.
- The recommendations of the United Nations Board of Auditors and the Internal Auditor are reviewed by the Management. Control procedures have been revised or are in the process of revision, as appropriate, in response to these recommendations.

With regard to the above assurances, the responsibility of UNDP is limited to the services provided by UNDP to UNFPA, as per the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA Financial Rule 116.2.

We each certify that, to the best of our knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

(*Signed*) Gilbert F. **Houngbo**
Director
Office of Finance and Administration
Bureau of Management
United Nations Development Programme

(*Signed*) Subhash K. **Gupta**
Director
Division for Management Services
United Nations Population Fund

The Chairman of the Board of Auditors
United Nations
New York

Chapter V

Financial statements for the biennium ended 31 December 2001*

* The accompanying notes form an integral part of the financial statements.

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

STATEMENT 1
INCOME AND EXPENDITURES AND FUND BALANCES FOR THE BIENNIUM ENDED 31 DECEMBER 2001
1.1 Overview
(Thousands of United States dollars)

		Regular Resources		Other Resources	
		2000-2001	1998-1999	2000-2001	1998-1999
INCOME					
Contributions	Schedule 1	520,365	512,349	266,596	130,830
Exchange adjustments		(5,471)	198	-	-
Contributions - net		**514,894**	**512,547**	**266,596**	**130,830**
Interest income		13,264	10,321	10,955	6,829
Other income	Schedule 2	4,494	2,067	323	31
TOTAL INCOME		**532,652**	**524,935**	**277,874**	**137,690**
EXPENDITURE					
Project Expenditure		299,173	398,280	186,902	113,510
Technical Advisory Programme (*previously Technical Support Services*)	Note 2(e)	35,133	42,300	309	-
Administrative and Operational Services	Note 2(e)	3,109	5,452	1,397	817
UNFPA Reimbursable and Support Services	Note 2(e)	6,774	8,850	938	635
Programme Expenditure	Schedule 3	**344,189**	**454,882**	**189,546**	**114,962**
Biennial Support Budget - net	Schedule 5	113,487	118,427	-	-
Other expenditure	Schedule 2	7,574	2,577	542	836
TOTAL EXPENDITURE		**465,250**	**575,886**	**190,088**	**115,798**
EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE		**67,402**	**(50,951)**	**87,786**	**21,892**
Fund balances at 1 January		-	11,134	64,215	48,363
Transfer to / from Reserves		(27,791)	39,017	-	-
Refunds to donors		-	-	(4,156)	(1,980)
Transfers - net (to) / from other funds		261	800	(10,270)	(4,060)
FUND BALANCES AT 31 DECEMBER		**39,872**	**-**	**137,575**	**64,215**

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

STATEMENT 1
INCOME AND EXPENDITURES AND FUND BALANCES FOR THE BIENNIUM ENDED 31 DECEMBER 2001
1.2 Other Resources
(Thousands of United States dollars)

	Cost-sharing		Trust Funds		Junior Professional Officers Programme		Reimbursable and Support Services		Elimination		Total Other Resources	
	2000-2001	1998-1999	2000-2001	1998-1999	2000-2001	1998-1999	2000-2001	1998-1999	2000-2001	1998-1999	2000-2001	1998-1999
INCOME												
Contributions	24,280	7,928	242,048	122,697	200	205	68	-	-	-	266,596	130,830
Interest income	-	-	10,955	6,829	-	-	-	-	-	-	10,955	6,829
Other income	-	-	323	31	-	-	11,504	4,695	(11,504)	(4,695)	323	31
TOTAL INCOME	**24,280**	**7,928**	**253,326**	**129,557**	**200**	**205**	**11,572**	**4,695**	**(11,504)**	**(4,695)**	**277,874**	**137,690**
EXPENDITURE												
Project Expenditure	12,964	5,518	173,793	107,797	145	195	-	-	-	-	186,902	113,510
Technical Advisory Programme	309	-	-	-	-	-	-	-	-	-	309	-
Administrative and Operational Services	216	187	1,181	630	-	-	-	-	-	-	1,397	817
UNFPA Reimbursable and Support Services	514	189	10,965	4,506	22	-	941	635	(11,504)	(4,695)	938	635
Programme Expenditure	**14,003**	**5,894**	**185,939**	**112,933**	**167**	**195**	**941**	**635**	**(11,504)**	**(4,695)**	**189,546**	**114,962**
Biennial Support Budget - net	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	50	-	492	836	-	-	-	-	-	-	542	836
TOTAL EXPENDITURE	**14,053**	**5,894**	**186,431**	**113,769**	**167**	**195**	**941**	**635**	**(11,504)**	**(4,695)**	**190,088**	**115,798**
EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE	**10,227**	**2,034**	**66,895**	**15,788**	**33**	**10**	**10,631**	**4,060**	**-**	**-**	**87,786**	**21,892**
Fund balances at 1 January	2,413	379	61,675	47,867	127	117	-	-	-	-	64,215	48,363
Refunds to donors	-	-	(4,156)	(1,980)	-	-	-	-	-	-	(4,156)	(1,980)
Transfers - net (to) / from other funds	291	-	-	-	-	-	(10,561)	(4,060)	-	-	(10,270)	(4,060)
FUND BALANCES AT 31 DECEMBER	**12,931**	**2,413**	**124,414**	**61,675**	**160**	**127**	**70**	**-**	**-**	**-**	**137,575**	**64,215**

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

STATEMENT 2
ASSETS, LIABILITIES AND FUND BALANCES FOR THE BIENNIUM ENDED 31 DECEMBER 2001
2.1 Overview

(Thousands of United States dollars)

		Regular Resources		Other Resources	
		2001	1999	2001	1999
ASSETS					
Cash		8,281	20,608	2	32
Investments held for					
Operational Reserve		51,667	23,984	-	-
Reserve for Field Accommodation		3,903	3,903	-	-
Regular Resources		75,814	13,385	-	-
Other Resources		-	-	187,039	82,873
Subtotal - Investments	Schedule 7	**131,385**	**41,272**	**187,039**	**82,873**
Total Cash and Investments		**139,666**	**61,880**	**187,041**	**82,905**
Advances					
Operating funds provided to:					
Government		16,166	17,044	2,649	3,059
UN agencies		1,512	1,337	-	399
Inter-governmental institutions and NGOs		7,476	10,271	2,429	3,837
Advance to Reserve for Field Accommodation		1,097	1,097	-	-
Accounts receivable and deferred charges					
Contributions receivable from Governments	Note 3	3,171	1,700	-	-
Other accounts receivable and deferred charges		1,286	2,316	251	182
Accrued interest		3,439	447	563	970
TOTAL ASSETS		**173,812**	**96,092**	**192,933**	**91,352**
LIABILITIES					
Contributions received in advance	Note 5	9	-	-	-
Operating funds payable to:					
Governments		6,749	3,221	407	1,713
UN agencies		12,512	8,065	-	2,409
Inter-governmental institutions & NGOs		3,451	3,871	1,634	1,655
Unliquidated obligations of executing agencies		32,164	20,634	53,012	21,040
Accounts payable		6,751	12,445	305	320
Due to United Nations Development Programme		15,637	18,872	-	-
TOTAL LIABILITIES		**77,273**	**67,108**	**55,358**	**27,137**
RESERVES AND FUND BALANCES					
Operational Reserve		51,667	23,984	-	-
Reserve for Field Accommodation		5,000	5,000	-	-
Fund balance		39,872	-	137,575	64,215
TOTAL RESERVES AND FUND BALANCES		**96,539**	**28,984**	**137,575**	**64,215**
TOTAL LIABILITIES AND RESERVES AND FUND BALANCES		**173,812**	**96,092**	**192,933**	**91,352**

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

STATEMENT 2
ASSETS, LIABILITIES AND RESERVES AND FUND BALANCES FOR THE BIENNIUM ENDED 31 DECEMBER 2001
2.2 Other Resources

(Thousands of United States dollars)

	Cost-sharing		Trust Funds		Junior Professional Officers Programme		Reimbursable and Support Services		Total Other Resources	
	2001	1999	2001	1999	2001	1999	2001	1999	2001	1999
ASSETS										
Cash	-	-	2	32	-	-	-	-	2	32
Investments	12,931	2,413	174,050	80,326	160	127	(102)	7	187,039	82,873
Total Cash and Investments	**12,931**	**2,413**	**174,052**	**80,358**	**160**	**127**	**(102)**	**7**	**187,041**	**82,905**
Advances										
Operating funds provided to:										
Government	-	-	2,649	3,059	-	-	-	-	2,649	3,059
UN agencies	-	-	-	399	-	-	-	-	-	399
Inter-governmental institutions and NGOs	-	-	2,429	3,837	-	-	-	-	2,429	3,837
Accounts receivable and deferred charges										
Other accounts receivable and deferred charges	-	-	26	177	-	-	225	5	251	182
Accrued interest	-	-	563	970	-	-	-	-	563	970
TOTAL ASSETS	**12,931**	**2,413**	**179,719**	**88,800**	**160**	**127**	**123**	**12**	**192,933**	**91,352**
LIABILITIES										
Operating funds payable to:										
Governments	-	-	407	1,713	-	-	-	-	407	1,713
UN agencies	-	-	-	2,409	-	-	-	-	-	2,409
Inter-governmental institutions & NGOs	-	-	1,634	1,655	-	-	-	-	1,634	1,655
Unliquidated obligations of executing agencies	-	-	52,959	21,029	-	-	53	11	53,012	21,040
Accounts payable	-	-	305	319	-	-	-	1	305	320
TOTAL LIABILITIES	**-**	**-**	**55,305**	**27,125**	**-**	**-**	**53**	**12**	**55,358**	**27,137**
RESERVES AND FUND BALANCES										
Fund balance	12,931	2,413	124,414	61,675	160	127	70	-	137,575	64,215
TOTAL RESERVES AND FUND BALANCES	**12,931**	**2,413**	**124,414**	**61,675**	**160**	**127**	**70**	**-**	**137,575**	**64,215**
TOTAL LIABILITIES AND RESERVES AND FUND BALANCES	**12,931**	**2,413**	**179,719**	**88,800**	**160**	**127**	**123**	**12**	**192,933**	**91,352**

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

STATEMENT 3
STATEMENT OF CASH FLOWS FOR THE BIENNIUM ENDED 31 DECEMBER 2001
3.1 Overview
(Thousands of United States dollars)

		Regular Resources		Other Resources	
		2001	1999	2001	1999
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess / (shortfall) of income over expenditure	Schedule 1.1	67,402	(50,951)	87,786	21,703
Items not involving movement of cash		-	(97)	-	-
Subtotal		**67,402**	**(51,048)**	**87,786**	**21,703**
Add inflows / (less outflows)					
(Increase) / decrease in pledges receivable		(1,471)	19,370	-	-
(Increase) / decrease in other accounts receivable		1,030	(1,583)	(69)	(157)
(Increase) / decrease in operating funds provided to Governments - net		4,406	3,068	(896)	1,352
(Increase) / decrease in operating funds payable to executing agencies - net		4,272	3,620	(2,010)	1,665
(Increase) / decrease in operating funds provided to inter-governmental institutions and NGOs - net		2,375	2,177	1,387	(1,631)
Increase / (decrease) in contributions received in advance		9	-	-	-
Increase / (decrease) in unliquidated obligations		11,530	(20,163)	31,972	11,011
Increase / (decrease) in other liabilities		(5,694)	8,110	(15)	320
Less: Interest income		(13,284)	(10,321)	(10,955)	(6,829)
NET CASH FROM OPERATING ACTIVITIES		**3,194**	**(46,770)**	**19,414**	**27,434**
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES					
Add inflows / (less outflows)					
Increase / (decrease) in Due to Other Resources		-	8,533	-	-
Increase / (decrease) in Due to United Nations Development Programme		(3,235)	(1,322)	-	-
(Increase) / decrease in Due from UNFPA Regular Resources		-	-	-	(8,533)
(Increase) / decrease in interest receivable		(2,992)	1,279	407	(865)
Add: Interest income		13,284	10,321	10,955	6,829
NET CASH FROM INVESTING AND FINANCING ACTIVITIES		**7,037**	**18,811**	**11,362**	**(2,569)**
CASH FLOWS FROM OTHER SOURCES					
Movement in Operational and Field Accommodation Reserves		27,791	(39,017)	-	-
Refunds to donors		-	800	(4,156)	-
Transfers - net (to) / from other funds		(27,638)	39,017	(10,270)	(5,851)
NET CASH FROM OTHER SOURCES		**153**	**800**	**(14,426)**	**(5,851)**
NET INCREASE / (DECREASE) IN CASH AND INVESTMENTS		**77,786**	**(27,159)**	**104,136**	**19,014**
CASH AND INVESTMENTS AS AT 1 JANUARY		**61,880**	**137,768**	**82,905**	**15,162**
CASH AND INVESTMENTS AS AT 31 DECEMBER		**139,666**	**61,880**	**187,041**	**82,905**

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

STATEMENT 3
STATEMENT OF CASH FLOWS FOR THE BIENNIUM ENDED 31 DECEMBER 2001
3.2 Other Resources
(Thousands of United States dollars)

	Cost-sharing 2001	Trust Funds 2001	Junior Professional Officers 2001	Reimbursable and Support Services 2001	Total Other Resources 1999
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess / (shortfall) of income over expenditure	10,227	66,895	33	10,631	87,786
Subtotal	**10,227**	**66,895**	**33**	**10,631**	**87,786**
Add inflows (less outflows)					
(Increase) / decrease in accounts receivable	-	151	-	(220)	(69)
(Increase) / decrease in operating funds provided to Governments-net	-	(896)	-	-	(896)
(Increase) / decrease in operating funds to executing agencies - net	-	(2,010)	-	-	(2,010)
(Increase) / decrease in operating funds provided to inter-governmental institutions and NGO - net	-	1,387	-	-	1,387
Increase / (decrease) in unliquidated obligations	-	31,930	-	42	31,972
Increase / (decrease) in other liabilities	-	(14)	-	(1)	(15)
Less: Interest income	-	(10,955)	-	-	(10,955)
NET CASH FROM OPERATING ACTIVITIES	**-**	**19,593**	**-**	**(179)**	**19,414**
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES					
Add inflows (less outflows)					
(Increase) / decrease in due from UNFPA Regular Resources	-	-	-	-	-
(Increase) / decrease in interest receivable	-	407	-	-	407
Add: Interest income	-	10,955	-	-	10,955
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	**-**	**11,362**	**-**	**-**	**11,362**
CASH FLOWS FROM OTHER SOURCES					
Refunds to donors	-	(4,156)	-	-	(4,156)
Transfers - net (to) / from other funds	291	-	-	(10,561)	(10,270)
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	**291**	**(4,156)**	**-**	**(10,561)**	**(14,426)**
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	**10,518**	**93,694**	**33**	**(109)**	**104,136**
CASH AND INVESTMENTS AS AT 1 JANUARY	**2,413**	**80,358**	**127**	**7**	**82,905**
CASH AND INVESTMENTS AS AT 31 DECEMBER	**12,931**	**174,052**	**160**	**(102)**	**187,041**

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 1
REGULAR RESOURCES - STATUS OF VOLUNTARY CONTRIBUTIONS PLEDGED AT 31 DECEMBER 2001
(Thousands of United States dollars)

DONOR	Balance due to UNFPA at 1 January 2000	Additions and Adjustments for Prior Biennia	Pledges for Current Biennium	Total Contributions for the Biennium	Payments Received and Exchange Adjustments	Balance Due to UNFPA at 31 December 2001	Pledged for Future Biennia
Albania	-	-	0	0	-	0	-
Algeria	24	(4)	14	10	10	24	-
Andorra	-	6	14	20	20	-	-
Angola	-	-	4	4	3	1	1
Antigua and Barbuda	-	-	2	2	2	-	2
Australia	-	-	2,367	2,367	2,367	-	-
Austria	-	-	705	705	705	-	-
Bahamas	1	-	-	-	-	1	-
Bangldesh	75	-	50	50	25	100	25
Barbados	-	-	4	4	4	-	-
Belgium	-	-	6,905	6,905	5,801	1,104	5,237
Benin	-	-	4	4	-	4	4
Bhutan	-	-	9	9	4	5	5
Bolivia	4	-	8	8	4	8	4
Botswana	-	-	4	4	4	-	-
Brazil	15	(15)	-	(15)	-	-	-
Bulgaria	226	(42)	10	(32)	9	185	46
Burkina Faso	-	7	2	9	9	-	4
Burundi	-	-	2	2	1	1	2
Cambodia	-	-	2	2	2	-	-
Cameroon	-	7	92	99	99	-	-
Canada	-	-	12,097	12,097	12,097	-	-
Central African Republic	1	-	(0)	(0)	-	1	-
Chad	-	-	13	13	13	-	-
Chile	6	-	10	10	15	1	-
China	-	-	1,640	1,640	1,640	-	-
Colombia	-	-	80	80	40	40	40
Comoros	1	-	(0)	(0)	-	1	-
Congo	-	-	-				33
Cook Islands	-	-	1	1	-	1	-

Costa Rica	-	5	1	6	6	-	-
Cote D'Ivoire	13	-	49	49	-	62	-
Cyprus	1	-	3	3	3	1	3

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 1
REGULAR RESOURCES - STATUS OF VOLUNTARY CONTRIBUTIONS PLEDGED AT 31 DECEMBER 2001
(Thousands of United States dollars)

DONOR	Balance due to UNFPA at 1 January 2000	Additions and Adjustments for Prior Biennia	Pledges for Current Biennium	Total Contributions for the Biennium	Payments Received and Exchange Adjustments	Balance Due to UNFPA at 31 December 2001	Pledged for Future Biennia
Czech Republic	-	8	115	123	123	-	55
Democratic People's Republic of Korea	-	9	18	27	27	-	19
Democratic Republic of Congo	-	-	4	4	4	-	-
Denmark	-	-	48,455	48,455	48,455	-	-
Djibouti	3	-	-	-	-	3	-
Dominican Republic	6	-	6	6	6	6	-
Egypt	179	85	189	274	289	164	404
El Salvador	-	-	1	1	1	-	-
Equatorial Guinea	3	(1)	123	122	123	2	-
Ethiopia	-	-	8	8	4	4	-
Federated States of Micronesia	3	3	6	9	9	3	-
Fiji	3	(1)	3	2	-	5	-
Finland	-	-	23,172	23,172	23,172	-	-
France	-	-	2,239	2,239	2,239	-	-
Gabon	-	-	225	225	89	136	-
Gambia	5	-	3	3	-	8	-
Germany	-	-	22,486	22,486	22,486	-	-
Ghana	-	-	25	25	-	25	25
Greece	-	-	6	6	6	-	-
Guatemala	2	-	9	9	9	2	-
Haiti	-	-	2	2	2	-	-
Honduras	-	-	10	10	10	-	-
Iceland	-	(1)	12	11	11	0	-
India	212	(18)	399	381	593	0	189
Indonesia	-	-	298	298	298	-	-
Iran Islamic Republic	50	-	24	24	24	50	25
Ireland	-	-	1,898	1,898	1,898	-	3,856
Israel	-	-	25	25	25	-	-
Italy	-	-	5,741	5,741	5,741	-	-
Jamaica	-	1	25	26	1	25	-
Japan	-	-	97,070	97,070	97,070	-	-
Jordan	-	-	96	96	48	48	48
Kenya	5	-	10	10	15	-	-

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 1
REGULAR RESOURCES - STATUS OF VOLUNTARY CONTRIBUTIONS PLEDGED AT 31 DECEMBER 2001
(Thousands of United States dollars)

DONOR	Balance due to UNFPA at 1 January 2000	Additions and Adjustments for Prior Biennia	Pledges for Current Biennium	Total Contributions for the Biennium	Payments Received and Exchange Adjustments	Balance Due to UNFPA at 31 December 2001	Pledged for Future Biennia
Kiribati	-	-	5	5	-	5	-
Kuwait	5	-	5	5	5	5	-
Lao, People's Democratic Republic	3	(1)	1	0	-	3	-
Lebanon	6	-	2	2	2	6	-
Lesotho	1	(1)	1	-	1	-	-
Libyan Arab Jamahiriya	10	-	-	-	-	10	-
Liechtenstein	-	-	12	12	6	6	-
Luxembourg	-	-	868	868	868	-	480
Madagascar	1	2	3	5	2	4	-
Malawi	8	(1)	-	(1)	-	7	-
Malaysia	-	-	30	30	30	-	-
Maldives	-	-	6	6	6	-	3
Mali	-	-	6	6	-	6	6
Malta	-	-	2	2	2	-	-
Marshall Islands	-	-	2	2	-	2	-
Mauritania	7	(1)	(0)	(1)	-	6	5
Mauritius	-	-	7	7	-	7	7
Mexico	-	-	100	100	100	-	-
Mongolia	8	-	8	8	12	4	4
Morocco	2	10	20	30	30	2	2
Mozambique	2	-	1	1	1	2	-
Myanmar	4	-	1	1	-	5	-
Namibia	1	-	48	48	45	4	-
Nepal	6	5	14	19	14	11	-
Netherlands	-	(1,093)	105,457	104,364	104,364	-	206,119
New Zealand	-	-	1,363	1,363	1,363	-	1,079
Nicaragua	-	-	10	10	10	-	-
Niger	-	-	7	7	7	0	-
Nigeria	3	(1)	20	19	-	22	40
Niue	-	-	1	1	1	-	-
Norway	-	-	47,252	47,252	47,252	-	-
Oman							

Oman	-	-	50	50	50	-	-
Pakistan	507	-	1,000	1,000	1,007	500	500

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 1
REGULAR RESOURCES - STATUS OF VOLUNTARY CONTRIBUTIONS PLEDGED AT 31 DECEMBER 2001
(Thousands of United States dollars)

DONOR	Balance due to UNFPA at 1 January 2000	Additions and Adjustments for Prior Biennia	Pledges for Current Biennium	Total Contributions for the Biennium	Payments Received and Exchange Adjustments	Balance Due to UNFPA at 31 December 2001	Pledged for Future Biennia
Palau	-	-	1	1	-	1	-
Panama	-	-	34	34	22	12	100
Papua New Guinea	-	-	2	2	-	2	-
Paraguay	-	-	(0)	(0)	-	(0)	-
Peru	10	-	10	10	10	10	-
Philippines	21	23	90	113	87	48	-
Poland	-	-	52	52	24	28	-
Portugal	15	-	25	25	-	40	-
Republic of Korea	-	-	520	520	520	-	-
Romania	-	-	14	14	9	5	5
Russian Federation	-	-	300	300	300	-	150
Rwanda	-	-	2	2	-	2	1
Saint Kitts & Nevis	-	-	2	2	2	-	-
Samoa	10	-	8	8	15	3	5
Sao Tome & Principe	-	-	1	1	-	1	-
Saudi Arabia	-	-	330	330	300	30	300
Seychelles	-	-	-	-	-	-	-
Sierra Leone	-	-	17	17	17	-	-
Slovak Republic	-	-	0	0	-	0	-
Slovenia	1	-	3	3	1	3	-
South Africa	-	7	16	23	15	8	21
Spain	-	-	1,121	1,121	1,121	0	-
Sri Lanka	-	-	33	33	33	-	-
Sudan	31	-	60	60	39	52	-
Swaziland	-	-	(0)	(0)	-	(0)	-
Sweden	-	-	35,099	35,099	35,099	-	29,273
Switzerland	-	-	13,677	13,677	13,677	-	-
Syrian Arab Republic	-	4	4	8	8	-	-
Thailand	-	-	192	192	192	-	-
Togo	5	(1)	(4)	(5)	-	(0)	-
Tonga	-	-	1	1	1	-	-
Trinidad and Tobago	-	-	5	5	5	-	-
Tunisia	42	(1)	47	46	71	18	17

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 1
REGULAR RESOURCES - STATUS OF VOLUNTARY CONTRIBUTIONS PLEDGED AT 31 DECEMBER 2001
(Thousands of United States dollars)

DONOR		Balance due to UNFPA at 1 January 2000	Additions and Adjustments for Prior Biennia	Pledges for Current Biennium	Total Contributions for the Biennium	Payments Received and Exchange Adjustments	Balance Due to UNFPA at 31 December 2001	Pledged for Future Biennia
Turkey		131	-	216	216	137	210	-
Turkmenistan		-	-	5	5	5	-	-
Uganda		5	(1)	10	9	2	13	-
United Kingdom		-	-	44,030	44,030	44,030	-	42,857
United Republic of Tanzania		8	-	12	12	6	14	-
United States of America		-	-	43,000	43,000	43,000	-	-
Uruguay		-	-	8	8	-	8	-
Vanuatu		5	-	1	1	-	6	-
Venezuela		-	-	5	5	-	5	-
Viet Nam		4	-	7	7	11	(0)	-
Yemen Arab Republic		-	-	20	20	20	-	-
Zambia		2	-	7	7	-	9	-
Zimbabwe		-	-	16	16	5	11	55
Mars Trust	Note 4	-	-	3,250	3,250	3,250	-	-
US tax reimbursement	Note 7	-	-	(3,975)	(3,975)	(3,975)	-	0
TOTAL		**1,702**	**(1,001)**	**521,366**	**520,365**	**518,896**	**3,171**	**291,058**

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 2
REGULAR RESOURCES - OTHER INCOME AND EXPENDITURE FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(Thousands of United States dollars)

	2000-2001	1998-1999
OTHER INCOME		
Miscellaneous income and exchange adjustments from accounts of executing agencies - net	73	50
Donations	65	331
Savings of liquidation against prior period obligations - executing agencies and UNFPA	3,274	1,347
Miscellaneous income	1,082	339
TOTAL OTHER INCOME	**4,494**	**2,067**
OTHER EXPENDITURE		
Miscellaneous expenditure and exchange adjustments from accounts of executing agencies - net	-	151
Net adjustments on revaluation of currencies and gain / (loss) on exchange other than contributions	6,875	2,359
Bank charges	32	13
Write-offs, excluding contribution from governments and budget items	667	-
Other expenditure - miscellaneous procurement services	-	54
TOTAL OTHER EXPENDITURE	**7,574**	**2,577**

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 3
REGULAR RESOURCES AND COST-SHARING - PROGRAMME EXPENDITURE FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(Thousands of United States dollars)

EXECUTING AGENCIES		Personnel Services	Sub-contracts	Training (Fellowships)	Equipment & Supplies	Miscellaneous	Total Project Expenditure	Technical Advisory Programme	Administrative and Operational Services	UNFPA Reimbursable and Support Services	Total
United Nations		3 000	9	601	76	166	3 852	-	77	-	3 929
ECA		(36)	-	20	-	16	-	3 602	-	-	3 602
ECE		118	-	27	6	-	151	-	18	-	169
ECLAC		544	-	-	-	12	556	276	42	-	874
ESCAP		362	22	65	3	49	501	1 065	26	-	1 592
ESCWA		40	-	45	-	-	85	757	-	-	842
FAO		691	1 064	248	271	192	2 466	2 338	184	-	4 988
ILO		369	100	323	43	98	933	4 356	70	-	5 359
UNESCO		695	324	490	17	206	1 732	4 176	105	-	6 013
UNIFEM		192	103	38	-	10	343	1 359	26	-	1 728
UNOPS		177	(3)	121	150	25	470	-	35	-	505
WHO		1 178	3 830	1 285	564	238	7 095	3 423	266	-	10 784
TOTAL UNITED NATIONS AGENCIES		**7 530**	**5 449**	**3 263**	**1 130**	**1 012**	**18 384**	**20 752**	**849**	**-**	**39 985**
Governments		19 013	34 121	35 349	15 557	13 384	117 424	-	-	5 872	123 296
UNFPA		36 055	16 731	17 297	52 362	6 420	130 865	14 620	-	1 416	146 901
Inter-governmental institutions and NGOs		16 232	11 138	10 362	2 982	4 750	45 464	70	2 476	-	48 010
TOTAL - INCLUSIVE OF COST-SHARING		**80 830**	**67 439**	**66 271**	**72 031**	**25 566**	**312 137**	**35 442**	**3 325**	**7 288**	**358 192**
Charged to:											
Regular Resources	Statement 1.1	76 596	65 866	64 432	68 457	23 822	299 173	35 133	3 109	6 774	344 189
Cost-sharing Resources	Statement 1.2	4 234	1 573	1 839	3 574	1 744	12 964	309	216	514	14 003
TOTAL - INCLUSIVE OF COST-SHARING		**80 830**	**67 439**	**66 271**	**72 031**	**25 566**	**312 137**	**35 442**	**3 325**	**7 288**	**358 192**

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 4
REGULAR RESOURCES - UNSPENT PROJECT ALLOCATIONS AS AT 31 DECEMBER 2001
(Thousands of United States dollars)

	BIENNIUM 2000 - 2001				
EXECUTING AGENCIES	**Allocations**	**Expenditure**	**Unspent Allocations**	**Future Years' Allocations**	**Total Unspent Allocations**
United Nations	4,209	3,852	357	1,426	1,783
ECA	(22)	-	(22)	112	90
ECE	385	351	34	257	291
ECLAC	608	556	52	622	674
ESCAP	669	501	168	686	854
ESCWA	88	85	3	155	158
FAO	2,660	2,466	194	1,065	1,259
ILO	1,305	933	372	176	548
UNESCO	1,932	1,732	200	781	981
UNIFEM	394	343	51	157	208
UNICEF	343	-	343	631	974
UNOPS	575	470	105	894	999
WHO	8,281	7,095	1,186	3,434	4,620
TOTAL UNITED NATIONS AGENCIES	**21,427**	**18,384**	**3,043**	**10,396**	**13,439**
Governments	127,783	117,424	10,359	112,892	123,251
UNFPA	166,014	130,865	35,158	105,890	141,048
Inter-governmental institutions and NGOs	54,932	45,464	9,468	22,718	32,186
TOTAL	**370,156**	**312,137**	**58,028**	**251,896**	**309,924**

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 4.1
REGULAR RESOURCES - UNSPENT TECHNICAL ADVISORY PROGRAMME ALLOCATIONS AS AT 31 DECEMBER 2001
(Thousands of United States dollars)

EXECUTING AGENCIES	BIENNIUM 2000 - 2001 Allocations	Expenditure	Unspent Allocations	Future Years' Allocations	Total Unspent Allocations
ECA	3,265	3,002	263	610	873
ECLAC	290	276	14	-	14
ESCAP	1,199	1,065	134	217	351
ESCWA	949	757	192	120	312
FAO	2,547	2,338	209	405	614
ILO	4,756	4,356	400	715	1,115
UNESCO	4,487	4,176	311	743	1,054
UNIFEM	1,765	1,359	406	300	706
WHO	3,854	3,423	431	519	950
TOTAL UNITED NATIONS AGENCIES	**23,112**	**20,752**	**2,360**	**3,629**	**5,989**
UNFPA	16,710	14,620	2,090	3,094	5,184
Inter-governmental institutions and NGOs	89	70	19	70	89
TOTAL	**39,911**	**35,442**	**4,469**	**6,793**	**11,262**

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 5
BIENNIAL SUPPORT BUDGET FOR THE BIENNIUM ENDED 31 DECEMBER 2001

(Thousands of United States dollars)

			2000-2001 EXPENDITURE			
		Appropriations 2000-2001	Disbursements	Unliquidated Obligations	Total	Unencumbered Balance 2001
Programme Support						
Country Offices		75,203	65,029	1,259	66,288	8,859
Headquarters		27,837	24,598	3,200	27,798	39
Programme Support - Subtotal		**103,040**	**89,627**	**4,459**	**94,086**	**8,898**
Management and Administration		46,345	33,881	6,830	40,711	5,634
Gross appropriations and expenditure		**149,385**	**123,508**	**11,289**	**134,797**	**14,532**
Credits to the Biennial Support Budget	*Note 7*	(22,000)	(21,310)		(21,310)	(690)
Net appropriations and expenditure		**127,385**	**102,198**	**11,289**	**113,487**	**13,842**

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 6
TRUST FUNDS - STATEMENT OF ACCOUNT FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(Thousands of United States dollars)

TRUST FUNDS	Unexpended Balance as at 1 January 2000	Contributions Received	Transfers and Refunds	Interest, Miscellaneous Income (Expenditure) Net	Total Funds Available	Project Expenditure	Administrative and Operational Services	UNFPA Reimbursable & Support Service Costs	Total Expenditure	Unexpended Balance as at 31 December 2001
CO-FINANCING										
Arab Gulf Fund	83	530	(96)	27	544	210	-	9	219	325
The Arab Republic of Egypt	1,407	293	-	81	1,781	809	8	52	869	912
Australia	2,098	1,037	(751)	156	2,540	1,512	57	119	1,688	852
Austria	106	106	(106)	10	116	83	-	-	83	33
Balkan Trust Fund	32	76	-	3	111	115	-	4	119	(8)
Belgium	1,913	1,937	(342)	153	3,661	1,208	31	169	1,408	2,253
Canada	971	1,034	286	101	2,392	1,024	-	51	1,075	1,317
Canadian Public Health Association	95	416	(75)	4	440	225	-	24	249	191
CIDA-Kosovo	-	1,897	-	77	1,974	1,153	-	181	1,334	640
Columbia University	-	4,076	-	139	4,215	1,932	-	302	2,234	1,981
Contraceptive Needs in Selected Developing Countries	45	-	-	4	49	-	-	-	-	49
Denmark	825	1,809	(217)	83	2,500	1,696	48	161	2,105	395
European Commission	6,949	12,015	(64)	642	19,542	14,804	630	-	15,434	4,108
Finland	(77)	899	56	40	950	-	-	45	45	905
Ford Foundation	-	70	-	4	74	52	-	4	56	18
France	1	748	-	50	799	485	-	67	552	247
Germany	16	-	-	2	18	(11)	-	(1)	(12)	30
Germany-Kosovo Trust Fund	-	948	-	13	961	896	97	54	1,047	(86)
Germany Kosovo (2)	-	388	-	1	389	-	-	-	-	389
IBRD - Angola	1,190	907	-	100	2,197	1,544	(3)	52	1,593	604
IPPF/AGFUND	86	-	(55)	10	41	2	-	-	2	39
Italy	753	2,908	-	84	3,745	829	23	143	995	2,750
Japan	29	-	-	3	32	-	-	-	-	32
Japanese Trust Fund for Inter-Country NGO & Parliamentary Activities	-	2,000	-	58	2,058	354	-	112	466	1,592
JOICFP	520	650	-	-	-	3	-	-	3	(3)
Lebanon	1,176	6,058	(11)	43	1,213	1,161	3	86	1,250	(37)
Luxemburg	(7)	39	-	126	7,349	1,466	35	341	1,872	5,477
Macro International	-	-	-	3	35	6	-	-	6	29
Montreal University	7,217	19,673	-	2	2	-	-	-	-	2
Netherlands	-	-	-	1,103	27,993	14,394	221	1,280	15,895	12,098
Netherlands Trust Fund for Reproductive Health Commodities Security	-	56,514	-	1,043	57,557	38,086	-	2,826	38,912	18,645
NGO - (Indo-Hilfe-Peru)	22	-	(24)	2	0	-	-	-	-	-
Norad	2,843	4,140	(401)	408	6,990	2,936	-	195	3,131	3,860
NORAD/Malawi	-	334	-	1	335	-	-	-	-	335
Norway	2	559	(229)	1	333	55	-	28	83	250
Nothern Caucasus Trust Fund	-	174	-	2	176	148	-	10	158	18
Oman	210	-	-	21	231	27	-	1	28	203
Organization of Petroleum Exporting Countries	-	86	-	1	87	130	-	5	135	(48)
Packard Foundation	-	360	-	14	374	353	-	4	357	17
Partners in Population	1,844	715	(303)	82	2,338	1,755	-	(84)	1,671	667
Rockefeller Foundation	37	-	-	3	40	-	-	-	-	40
SHELL	-	99	-	-	99	-	-	-	-	99
Spain	435	789	-	68	1,292	423	-	32	455	837
Sweden	994	1,261	(365)	219	2,109	972	5	100	1,077	1,033
	58	625	-	56	739	318	-	50	368	371
				(15)	397	125	-	5	130	267

Switzerland	12	400	-	(10)						
Syrian Arab Republic										

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 6
TRUST FUNDS - STATEMENT OF ACCOUNT FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(Thousands of United States dollars)

TRUST FUNDS	Unexpended Balance as at 1 January 2000	Contributions Received	Transfers and Refunds	Interest, Miscellaneous Income (Expenditure) Net	Total Funds Available	Project Expenditure	Administrative and Operational Services	UNFPA Reimbursable & Support Service Costs	Total Expenditure	Unexpended Balance as at 31 December 2001
UK Trust Fund for Reproductive Health Commodities Security Program	-	36,765	-	(365)	36,400	29,010	-	1,838	30,848	5,552
UNFIP	3,231	21,016	(388)	1,001	24,860	12,054	19		12,073	12,788
University of Montreal				1	1				-	1
United Kingdom	4,853	8,631	(150)	993	14,327	6,256	7	486	6,749	7,578
United Nations AIDS	270	207	(14)	43	506	371	-	32	403	103
United Nations Trust Fund for Human Security	-	2,348	-	33	2,381	509	-	72	581	1,800
US Committee for UNFPA Trust Fund	179	5,260	-	109	5,548	3,896	-	550	4,446	1,102
USAID	25	-	-	(1)	24	43	-	2	45	(21)
CO-FINANCING	40,443	200,797	(3,209)	6,842	244,873	141,646	1,181	9,409	152,236	92,637
OTHER TRUST FUNDS										
FGM	-	41	-	-	41	-	-	-	-	41
Global Contraceptive Commodity Program	4,303	-	-	478	4,781	(27)	-	-	(27)	4,808
International Conference on Population and Development	131	-	-	13	144	-	-	-	-	144
Development +5	326	74	(115)	97	382	(467)	-	-	(467)	850
Office of Results-based Management (ORM)	53	329	150	28	560	288	-	-	288	273
Rafael M. Salas Endowment Fund	852	9	-	70	931	26	-	-	26	905
UN Foundation Support Office (UNFSO)	234	-	972	21	1,227	705	-	-	705	522
UN Population Award	761	-	-	37	798	55	-	-	55	743
OTHER TRUST FUNDS	6,660	453	1,008	744	8,865	577	-	-	577	8,288
PROCUREMENT SERVICES										
Algeria	325	-	-	18	343	191	-	9	199	144
Canada	535	5,218	(389)	70	5,432	5,081	-	254	5,334	98
European Community	38	-	-	4	42	-	-	-	-	42
Finland	88	-	(88)	-	0	-	-	-	-	-
Germany	426	31	(95)	32	395	107	-	5	111	284
IBRD	11,042	35,530	(519)	2,873	48,926	26,751	-	1,336	28,086	20,840
Jamaica	32	-	-	3	35	-	-	-	-	35
Laos	-	21	-	1	22	17	-	1	17	5
PSI	5	-	-	-	5	-	-	-	-	5
Sri Lanka	572	-	-	59	631	(3)	-	-	(3)	634
United Kingdom	1,509	-	(866)	140	783	(570)	-	(47)	(617)	1,401
PROCUREMENT SERVICES	14,572	40,798	(1,955)	3,200	56,815	31,571	-	1,556	33,126	23,469
TOTAL	61,675	242,048	(4,156)	10,786	310,353	173,793	1,181	10,965	185,939	124,414

UNITED NATIONS POPULATION FUND
BIENNIUM 2000-2001

Schedule 7
INVESTMENTS FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(Thousands of United States dollars)

	Regular Resources		Other Resources	
	2001	1999	2001	1999
Money market funds	-	-	17,994	-
Time deposits	39,755	41,272	167,246	67,899
Marketable securities	91,630	-	1,799	14,974
TOTAL	**131,385**	**41,272**	**187,039**	**82,873**

Notes to the financial statements

Note 1
Mission statement

The United Nations Population Fund (UNFPA) extends assistance to developing countries, countries with economies in transition and other countries at their request to help them to address reproductive health and population issues, and raises awareness of these issues in all countries, as it has since its inception.

The three main areas of work of UNFPA are: to help ensure universal access to reproductive health, including family planning and sexual health, to all couples and individuals on or before 2015; to support population and development strategies that enable capacity-building in population programming; to promote awareness of population and development issues; and to advocate for the mobilization of the resources and political will necessary to accomplish its areas of work.

UNFPA is guided by, and promotes, the principles of the Programme of Action of the International Conference on Population and Development (1994). In particular, UNFPA affirms its commitment to reproductive rights, gender equality and male responsibility, and to the autonomy and empowerment of women everywhere. UNFPA believes that safeguarding and promoting these rights, and promoting the well-being of children, especially girl children, are development goals in themselves. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so.

UNFPA is convinced that meeting these goals will contribute to improving the quality of life and to the universally accepted aim of stabilizing world population. UNFPA believes that these goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends.

UNFPA recognizes that all human rights, including the right to development, are universal, indivisible, interdependent and interrelated, as expressed in the Programme of Action of the International Conference on Population and Development, the Vienna Declaration and the Programme of Action adopted by the World Conference of Human Rights, the Convention on Elimination of All Forms of Discrimination against Women, the Programme of Action of the World Summit for Social Development, the Platform for Action of the Fourth World Conference on Women, and other internationally agreed instruments.

UNFPA, as the lead United Nations organization for the follow-up and implementation of the Programme of Action of the International Conference on Population and Development, is fully committed to working in partnership with Governments, all parts of the United Nations system, development banks, bilateral aid agencies, non-governmental organizations and civil society. UNFPA strongly supports the United Nations resident coordinator system and the implementation of all relevant United Nations decisions.

UNFPA will assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the Programme of Action to ensure that the goals of the International Conference on Population and Development are met.

Note 2
Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies:

(a) **Income**

All income of UNFPA (including contributions from Governments, investment income and miscellaneous income, but excluding contributions to cost-sharing and trust funds) is recorded on an accrual basis.

Contributions to cost-sharing and trust funds are recorded on a cash basis.

(b) **Expenditure**

All expenditure is accounted for on an accrual basis, except for that relating to staff entitlement and projects executed by Governments and by non-governmental organizations, which is accounted for on the basis of disbursements. Project expenditure includes unliquidated obligations raised by the executing agencies in respect of goods and services provided for in the project budgets for 2001 and contracted for by 31 December 2001.

(c) **Exchange rates**

Gains and losses resulting from exchange adjustments arising from payments of voluntary contributions are recorded as an offset to these contributions. All other exchange adjustments have been recorded as other income or other expenditure.

Monetary assets and liabilities held in currencies other than United States dollars are revalued using the United Nations operational rate of exchange in effect as at 1 January 2002. Resulting exchange gains or losses are taken to other income or other expenditure.

(d) **Capital expenditure**

The full cost of non-expendable equipment used for administrative purposes is charged to the UNFPA biennial budget in the year in which it is purchased. An inventory is maintained of all non-expendable equipment (defined as items of equipment valued at $1,500 or more a unit, and with a serviceable life of at least five years, and items of equipment included in any special lists, for which formal inventory records are maintained).

(e) **Technical Advisory Programme, administrative and operational services, and UNFPA reimbursable and support services costs**

Expenditure identified as Technical Advisory Programme includes the costs of technical support professionals and administrative support personnel, and other related administrative costs.

Administrative and operational services expenditure represents the support costs incurred by and paid to United Nations agencies, intergovernmental institutions and non-governmental organizations in relation to the implementation of projects funded by UNFPA.

UNFPA reimbursable and support services expenditure comprises:

(i) The support costs accruing to UNFPA in relation to project implementation and procurement assistance to projects executed by Governments;

(ii) The support costs charged by UNFPA in relation to the management of projects financed by co-financing trust funds.

These amounts are shown in statement 1.1 and schedule 3.

(f) Reimbursable procurement

Following approval by the Governing Council at its fortieth session in 1993, UNFPA has received funds for the procurement of supplies, equipment and services on behalf and at the request of Governments, specialized agencies or other intergovernmental or non-governmental organizations. In line with this decision, UNFPA is paid a procurement service fee at the rate established by the Executive Director. This procurement service fee, after the deduction of procurement service expenses, is reported as income to the biennial support budget.

These activities are accounted for as trust funds and shown under procurement services in schedule 6.

(g) Presentation of financial statements

Regular resources represent resources which are unrestricted in use and include voluntary contributions, interest earnings, donations and miscellaneous income.

Other resources represent resources which are restricted in use and include cost-sharing and co-financing trust fund contributions and procurement services income. Reimbursable and support services and the Junior Professional Officers programme are included in other resources.

The results of the operations funded from regular resources and other resources have not been combined in the financial statements.

Note 3
Contributions receivable from Governments

Contributions receivable to regular resources pledged by Governments for current and prior years that had not been paid by 31 December 2001 were as follows (in thousands of United States dollars):

1998 and prior years	776.7
1999	6.1
2000	668.7
2001	1 719.1
Total (statement 2.1)	**3 170.6**

As at 31 March 2002, $1.7 million of the above receivables relating to pledges for 2001 had been paid.

Notes 4
Mars Trust

The late Forrest E. Mars provided in his estate for the creation of a fund, entitled the Mars Trust, for the principal benefit of UNFPA. On a periodic basis, the trustee of the fund reviews its financial situation and may make a discretionary distribution for the benefit of UNFPA. Such distributions are free of donor restrictions and are therefore recorded as a contribution to regular resources. The contribution to UNFPA in the biennium ended 31 December 2001 totalled $3.25 million (1999: $0.0).

Note 5
Contributions received in advance

As at 31 December 2001, contributions for 2002 had been received from the following Governments (in thousands of United States dollars):

Angola	1.0
Antigua and Barbuda	2.0
Burkina Faso	1.3
Cambodia	2.0
Cyprus	3.0
Total (statement 2.1, schedule 1)	**9.3**

Note 6
Unspent allocations

(a) Regular resources

As at 31 December 2001, unspent allocations issued against the regular resources of UNFPA for projects and for the Technical Advisory Programme were as follows (in millions of United States dollars):

	2001	*2002*	*2003*	*2004*	*2005*	*2006*	*Totals*
Projects (schedule 4)	58.0	189.9	38.3	15.7	6.5	1.5	309.9
Technical Advisory Programme (schedule 4.1)	4.5	6.8	-	-	-	-	11.3
Total	**62.5**	**196.7**	**38.3**	**15.7**	**6.5**	**1.5**	**321.2**

As at 31 December 2001, the balance of regular resources was $39.8 million.

As per the Financial Regulations and Rules, expenditures relating to allocations shall always be subject to the availability of resources.

(b) Trust funds

The total available trust fund resources and balance of unspent allocations as at 31 December 2001 is as follows (in millions of United States dollars):

	Available resources	*Unspent allocations*
Trust funds — general	119.6	86.5
Global Contraceptive Commodity Programme	4.8	5.8
Total	**124.4**	**92.3**

The unspent allocations of $92.3 million comprise $49.4 million for 2001, $40.2 million for 2002 and $2.6 million for 2003.

Note 7
Biennial support budget

The 2000-2001 biennial support budget was presented to and approved by the Executive Board in September 1999. This budget was prepared in the harmonized format agreed by the governing bodies of UNDP, UNFPA and UNICEF. Included in the agreed format was specific treatment for the reimbursement of income taxes, which requires that the total of amounts paid by the organizations for national income tax be credited back to the biennial support budget and deducted from the respective Governments' contributions to the organization.

Credits to biennial support budget expenditure in schedule 5 comprise (in thousands of United States dollars):

	2000-2001	*1998-1999*
Support costs charged to regular resources in relation to:		
Government-executed projects	5 358	6 110
Procurement assistance provided to government-executed projects	1 416	2 929
Subtotal (statement 1.1)	**6 774**	**9 039**
Support costs charged to other resources in relation to:		
Projects executed by UNFPA, non-governmental organizations and Governments	2 740	2 108
Management of projects financed by co-financing trust funds	7 163	-
Junior Professional Officers programme	22	-
Subtotal	**9 925**	**2 108**
Net procurement service fee	636	1 816
Reimbursement of income tax charges (schedule 1)	3 975	1 973
Total	**21 310**	**14 936**

Support costs charged to other resources in statement 1.2 include procurement service fees of $1.6 million (1999: $2.4 million). Procurement service expenditures of $0.9 million (1999: $0.6 million) are also reported in statement 1.2. Net procurement service fee income for the biennium ended 31 December 2001 was $0.6 million (1999: $1.8 million).

Note 8
Accounts receivable and payable — regular resources

(a) Other accounts receivable and deferred charges

The other accounts receivable and deferred charges as shown in statement 2.1 consist of the following (in thousands of United States dollars):

	2001	*1999*
Advances to staff and consultants	1 286	1 456
Deferred charges	-	78
Miscellaneous accounts receivable	-	782
Total	**1 286**	**2 316**

(b) Accounts payable

Accounts payable as shown in statement 2.1 consist of the following (in thousands of United States dollars):

	2001	*1999*
Unliquidated obligations of the biennial budget	2 348	10 005
Unidentified cash receipts	-	752
Field office accounts payable	11	11
Miscellaneous accounts payable	4 392	1 677
Total	**6 751**	**12 445**

Note 9
Unliquidated obligations

The balance of unliquidated obligations consists of (in thousands of United States dollars):

	2001	*1999*
Executing agencies (excluding UNFPA)	860	3 400
UNFPA	84 316	38 274
Total	**85 176**	**41 674**

This total is reported as follows:

Regular resources (statement 2.1)	32 164	20 634
Trust funds (statement 2.2)	52 959	21 029
Reimbursable and support services (statement 2.2)	53	11
Total	**85 176**	**41 674**

Note 10
Global Contraceptive Commodity Programme

At its first regular session of 1996, the Executive Board approved the establishment of the Global Contraceptive Commodity Programme, to be managed as a Trust Fund. In accordance with this decision, $5 million was transferred from unexpended resources to the Programme in 1996. The movements in this Trust Fund are included in "Other trust funds" in Schedule 6.

Note 11
Reserve for field accommodation

At its thirty-eighth session in 1991, the Governing Council approved the establishment of a reserve for field accommodation at the level of $5 million for the biennium 1992-1993, as shown in statement 2.1, and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs of common premises under the auspices of the Joint Consultative Group on Policy.

In 1994, $1.1 million was advanced to UNDP towards the cost of construction of common premises. The disposition of this advance had not been resolved as at 31 December 2001.

In the biennium ended 31 December 2001, $0.1 million was transferred from unexpended fund balances to bring the reserve for field accommodation to $5 million.

Note 12
Operational reserve

The level of the operational reserve was set at $45 million at the thirty-sixth session of the Governing Council in 1989. At its thirty-eighth session in 1991, the Governing Council decided that the level of the operational reserve should be set at 20 per cent of the regular resources income for each year of the UNFPA work plan.

In the biennium ended 31 December 2001, $27.7 million was transferred from unexpended fund balances to bring the operational reserve to $51.7 million.

Note 13
Special population programmes

At its seventeenth session in 1974, the Governing Council authorized UNFPA to receive cash remittances from Governments and transfer these to designated special population programmes. In the biennium ended 31 December 2001, UNFPA received and transferred cash remittances of $20.8 million as follows (in millions of United States dollars):

Recipient	Donors			
	Norway	Japan	Belgium	Total
International Planned Parenthood Federation	-	19.2	0.2	19.4
The Population Council	0.6	0.5	-	1.1
International Union for the Scientific Study of Population	0.2	-	-	0.2
International Council on the Management of Population Programmes	0.1	-	-	0.1
Total	**0.9**	**19.7**	**0.2**	**20.8**

As at 31 December 2001, UNFPA did not hold any balance of special population programme funds.

Note 14
Non-expendable property

In the biennium ended 31 December 2001, the movement in non-expendable property inventory at cost is as follows (in millions of United States dollars):

	Headquarters	Country offices
Opening inventory	2.7	7.6
Additions	0.2	1.6
Disposals	(0.1)	(0.7)
Closing inventory	**2.8**	**8.5**

As at 31 December 2001, the estimated historic cost of programme non-expendable property as reported by 123 country offices was $38.1 million.

Note 15
Stocks

As at 31 December 2001, stocks of contraceptives at a cost of $0.9 million (1999: $0.8 million) were held at manufacturer's premises for UNFPA as part of the Global Contraceptive Commodity Programme.

This amount is not reflected in the financial statements.

Note 16
Pension benefits

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, together with any share of any actuarial deficiency payments under article 26 of the regulations of the Fund. Such deficiency payments are only payable

if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date.

At the time of the preparation of the present report, the General Assembly had not invoked this provision.

Note 17
After-service medical benefits

	As at 31 December 2001	
	Value of future benefits (millions of United States dollars)	*Accrued liability (millions of United States dollars)*
Gross liability	75.3	58.8
Retiree contributions	15.6	12.5
Net liability	**59.7**	**46.3**

The figure for the value of the future benefits is the discounted value of all benefits to be paid in the future to both current retirees plus active staff expected to retire in the future. The accrued liabilities comprise that portion of the present value of benefits that has accrued from staff members' dates of employment to the valuation date (projected to 31 December 2001). Active staff member's benefits are fully accrued when they reach their date of full eligibility for after-service health insurance subsidy benefits.

This liability has been determined by actuarial evaluation, prepared by William M. Mercer, Incorporated.

Note 18
Contingent liabilities

The contingent liability resulting from termination benefits that UNFPA may be required to pay to its staff members in future years was estimated as at 31 December 2001 to be $5 million (1999: $4 million) with respect to repatriation grants and $1.3 million (1999: $1 million) with respect to termination indemnity.

Costs relating to annual leave due as at 31 December 2001 are estimated at $6 million (1999: $4.3 million).

Note 19
UNFPA transition process

Included in schedule 6 are the following trust fund balances which relate to the UNFPA transition process (in thousands of United States dollars):

	Contributions received	*Project expenditure*	*Support costs*	*Total expenditure*	*Unexpended balance*
Sweden	281.7	158.7	14.1	172.8	108.9
United Nations Fund for International Partnerships	820.0	156.9	-	156.9	663.1
United Kingdom of Great Britain and Northern Ireland	300.0	189.1	15.0	204.1	95.9
United States Committee for UNFPA	250.0	217.2	28.8	246.0	4.0
Total	**1 651.7**	**721.9**	**57.9**	**779.8**	**871.9**

Note 20
Events after the reporting date

As of the date of these statements, one major donor has yet to pledge or make a contribution for 2002. This will require UNFPA to adjust its planning assumptions and expenditure targets for 2002.

Note 21
Statement 2: presentation and restatement of comparatives

In previous bienniums, investments were accounted for and disclosed in statement 2 under regular resources. Accounts receivable and payable included an amount owed by regular resources to other resources in respect of cash and investments. This presentation gave rise to an overstatement of cash and investments held under regular resources.

In the current biennium, cash and investments have been analysed and disclosed separately by source of funds and the balance owed by regular resources to other resources effectively settled.

The comparatives for the previous biennium have been restated so as to be consistent with the presentation for the current biennium.

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General Assembly
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15 October 2002

United Nations Population Fund

Financial report and audited financial statements for the biennium ended 31 December 2001 and Report of the Board of Auditors

Corrigendum

Chapter II

Insert the following note at the end of the chapter under the names of the auditors:

Note: The auditors have signed only the original English version of the report of the Board.

Chapter III

Insert the following note at the end of the chapter under the names of the auditors:

Note: The auditors have signed only the original English version of the audit opinion.

02-64156 (E)